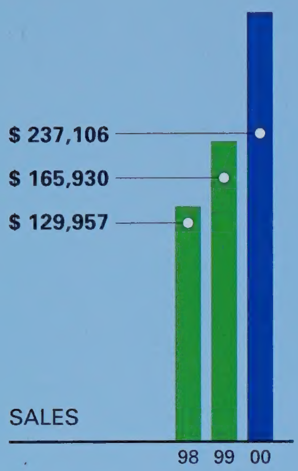
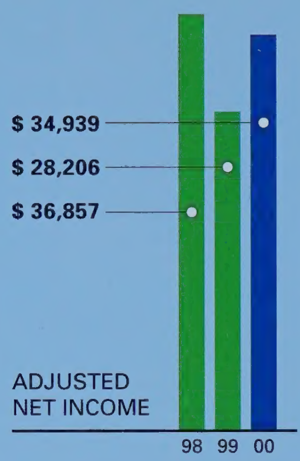
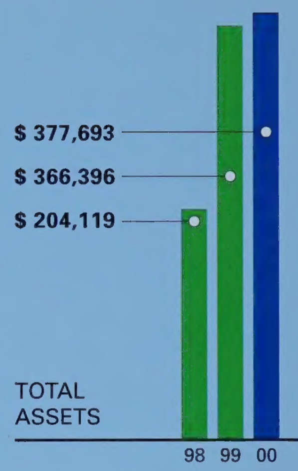
Annual Report 2000

Hummingbird™

Financial Highlights







Summary Table of Financial Data

Years ended September 30 (in accordance with U.S. GAAP; thousands of U.S. dollars, except share data)

	2000	1999	1998
Operating Results			
Sales	**$ 237,106**	$ 165,930	$ 129,957
Adjusted net income*	**34,939**	28,206	36,857
Adjusted income per share*	**1.94**	1.83	2.33
Financial Position			
Working capital	**105,083**	8,230	152,657
Shareholders' equity	**271,524**	178,961	181,234
Total assets	**377,693**	366,396	204,119
Key Ratios			
Current ratio	**2.5**	1.1	7.7
Return on sales*	**14.8%**	17.0%	28.4%

* Excluding the amortization and write-off of intangibles, compensation related to stock options, merger and restructuring charges and gain on sale of investment in subsidiary, all net of taxes.

A NOTE ABOUT THE COVER IMAGE

We have introduced a very different look for our annual report this year. We have specifically selected custom illustration in an effort to craft images that will most appropriately depict our technologies and vision. Given the strategic relevance of this graphical message, it has been carried throughout the report.

The cover graphic was devised as a metaphor for the unity and convergence features of Hummingbird's enterprise software solutions. Each product category has been assigned a picture to highlight its contribution to the whole: pages to represent Document and Content Management; charts and magnified numbers to represent Business Intelligence; the linking of multiple databases into a single one to depict Data Integration, and a plug to represent Host Access and Network Connectivity. A mass of both structured and unstructured data is filtered and disseminated up through the portal with the result that the end-user is able to create new value for the organization – in essence, making one plus one equal to three.

Corporate Profile

Hummingbird's mission is to deliver enterprise software solutions that simplify the way you do business and empower users to get their jobs done more accurately and effectively.

Organizations today generate an astonishing amount of data – valuable information about customers, suppliers, technologies and other key elements of value creation in any enterprise. However, this information is generally stored in disparate systems, databases and applications. This vast potential resource is becoming an increasingly underutilized asset because it has been impossible to get the relevant information to the appropriate end-user. Furthermore, users have not had access to the tools and applications required to act on this information once it becomes available.

Hummingbird solutions empower users at all levels of the enterprise with the most appropriate information and related tools to increase their productivity. The cornerstone product of the Company's solution offering is Hummingbird EIP™ (Enterprise Information Portal) which provides a single point of access, and the ability to act on the vast amount of information stored across the enterprise. Integrated with Hummingbird EIP™ are the firm's proven technologies for document and content management, data integration and business intelligence.

Hummingbird's value proposition to customers stems from two complementary strengths: the ability to offer an end-to-end solution that fulfills several key business needs, and the flexibility to selectively deploy and integrate this technology into existing systems, thus allowing customers to leverage previous investments in information technology infrastructure.

Hummingbird has an enviable record of financial strength. It generates significant cash flow and maintains a strong balance sheet. The Company's profitability has remained strong during a period of robust growth; sales reached an all-time high of $237 million in fiscal 2000, capping off a 5-year period of 33% top-line compound annual growth.

Publicly traded on NASDAQ ("HUMC") and the Toronto Stock Exchange ("HUM"), Hummingbird employs over 1,400 people. Headquartered in Toronto, Canada, the Company offers its products, along with related consulting, training, support and maintenance services in more than 50 countries around the world.

Chairman's Message

My Fellow Shareholders,
Fiscal 2000 was a year of tremendous accomplishment for Hummingbird. I am very pleased to report to you on this particularly exciting year in the Company's history in which we delivered on several key commitments:

- We successfully launched the Company into the important new market space for enterprise information portals with Hummingbird EIP™;
- We completed the integration of PC DOCS and succeeded in capturing the anticipated synergies from rationalizing its operations with our own;
- We eliminated the debt from that acquisition, returning to our customary position of financial strength; and,
- We delivered financial results that exceeded both our own and the investment community's consensus expectations for the year as posted by First Call Corporation.

With this challenging transition and integration period behind the Company, Hummingbird is now ideally positioned for continued growth well into the 21st century.

A YEAR OF CONVERGENCE ON MANY FRONTS

Convergence has been the overriding theme of Hummingbird's 2000 fiscal year, a time during which we went from offering a wide array of products, to becoming a vendor of integrated enterprise software solutions. When we first embarked on the strategic effort to focus on the portal business, our attention – and that of our competitors and the marketplace – was primarily on the information itself; specifically, enabling customers to leverage the combined power of both structured and unstructured information.

The vision has evolved into much more than this. Our current efforts are targeted toward making entire applications collaborate, shifting the focus from the information to the user, a phenomenon known as user-centric computing. Now, instead of simply integrating applications into the portal so that information can be extracted from various sources, these applications are quickly converging into the portal so that true collaboration can be achieved. In the same way that users of Microsoft Office† can launch a file from Windows Explorer† without needing to know whether it was created in Microsoft Word†, Microsoft Excel† or Microsoft PowerPoint†, Hummingbird is striving to allow users to access and act on information from disparate systems through Hummingbird EIP™ with similar ease. This can only be achieved when our underlying products for document and content management, data integration, and business intelligence truly converge within the portal.

Successful Launch of Hummingbird EIP™

The tremendous momentum being experienced by Hummingbird EIP™ in the marketplace is the best testament to the success of our convergence strategy. Customers are embracing our programs to develop, market and sell our applications integrated into a suite. This is evidenced by the fact that more than two-thirds of Hummingbird EIP™ sales included the sale of other Hummingbird applications.

† Trademarks of Microsoft Corp.

Operational Highlights

This convergence theme has permeated every part of the Company, mirroring our technical vision of user-centric computing. The convergence of our diverse and complex product line with our strategic focus on Enterprise Information Portal Solutions has necessitated structural and cultural change in every dimension of the organization. Clearly, in order for customers to experience the value-added from our end-to-end solutions, our corporate structure and messaging must define and support it. Accordingly, during the past year we have migrated from product-specific marketing, sales, technical support and research and development structures to a unified solutions oriented effort in all key departments of the organization. Specifically:

- In marketing, one year ago, we had individual executives dedicated to specific product lines. Today, while we still have managers with product-specific focus, senior management of the marketing department (Directors and above) operates with a unified mandate to advance Hummingbird's entire portfolio of products under the integrated approach offered by Enterprise Portal Suite™;
- Restructuring and unification of the sales organization over the past year has followed similar lines. We have unified product-centric divisions responsible for meeting the organization's overall objectives. Sales representatives have been cross-trained in all of our products and new pricing structures have been devised to encourage the purchase of multiple products; and,
- Today, research and development has development groups organized around architectural elements that will support all of our products. This will yield several benefits, including facilitating deployment of multiple applications for customers and development cost savings for the Company.

STRATEGIC ALLIANCES AND PARTNERSHIPS

A multitude of components goes into providing customers with a complete enterprise software solution; it is a much more complex offering and process than simply selling shrink-wrapped software. No single vendor can realistically develop, sell and integrate every component. Accordingly, our increasing focus on complete solutions has made us more aware than ever of the importance of partnerships and strategic alliances. The ability to bring in partners with specialties in various aspects of software development, deployment and training allows Hummingbird to maintain its focus on delivering portals and the applications that directly link into them and still deliver the best possible overall solution to the customer.

At the end of fiscal 2000 the Company had partnerships with over 50 organizations in support of its Enterprise Information Portal Solutions business, and expects to increase this number in fiscal 2001. One of the more notable alliances we completed during fiscal 2000 was with NCR Corp., developer of the Teradata database, the world leader in the market for high-end databases. We are very pleased to have won the confidence of such a major player in the technology arena, and see tremendous potential for both companies from the venture in the years ahead. The history, objectives and future prospects of this alliance are featured on page 15 of this report.

ANOTHER RECORD YEAR FOR HOST ACCESS AND NETWORK CONNECTIVITY

While our strategic focus is on Enterprise Information Portal Solutions as the engine of Hummingbird's future growth, I am thrilled to report that our Host Access and Network Connectivity business turned in another record year in fiscal 2000, once again defying market forecasts that this industry is in decline. Our connectivity revenue surpassed our expectations increasing approximately 10%, to an all-time high of $115 million.

FOCUS ON THE CUSTOMER

Of course, the best testament to the market's satisfaction with the Hummingbird EIP™ and other Hummingbird products comes from the customers themselves. Accordingly, we have added a new component to our annual report, highlighting key customers and their uses of our solutions. These particular relationships have been selected because they validate the primary elements of our strategy, most notably, the decision to acquire the underlying technologies that integrate into Hummingbird EIP™ and then cross-selling into the markets and customer bases that were acquired with these businesses.

On pages 10 through 13 you can read about such specifics as:

- what business problem drove the customer to seek out a portal solution;
- why the customer chose Hummingbird over other vendors it evaluated; and,
- how their business was changed by the end result.

It is very gratifying to me to read these stories as they validate our strategy and exemplify synergies that have been borne out of convergence. You will read why customers endorse our decision to acquire the underlying applications that link into Hummingbird EIP™, over simply partnering to provide a complete solution as our competitors have done. Both stories extol the value of being able to provide customers with the option of purchasing a complete end-to-end solution from a single vendor. Importantly, the case studies demonstrate how Hummingbird has successfully leveraged customer relationships that were initiated within predecessor companies, highlighting qualitative synergies that have been created from these acquisitions over time.

YEAR 2001 OUTLOOK

I would like to extend my personal thanks to all of our employees who have worked tirelessly to get us to the fortunate position we occupy today. Looking forward to fiscal 2001, the opportunities before Hummingbird are greater than they have been for some time. The current situation is reminiscent of our positioning nearly ten years ago when we were starting out in the PC-X market. Importantly, I see an even greater opportunity for Hummingbird EIP™ than was ever possible in the PC-X market.

Hummingbird has entered the new millennium a transformed company, with a foothold in new markets that offer tremendous growth opportunities and the financial strength needed to execute on our plans. With these challenging transitions behind us, the focus for fiscal 2001 will be on growth. We are already beginning to see momentum building; in the fourth quarter of fiscal 2000, Hummingbird exceeded the EPS expectations of the investment community as posted by First Call Corporation by approximately 15%. Fiscal 2001 promises to be yet another record year at Hummingbird, and I look forward to reporting on our continued success as the year progresses.

Fred Sorkin
Chairman & Chief Executive Officer

Products

Hummingbird develops and markets industry leading enterprise applications that fall into two general categories: Enterprise Information Portal (EIP) Solutions and Host Access and Network Connectivity Products.

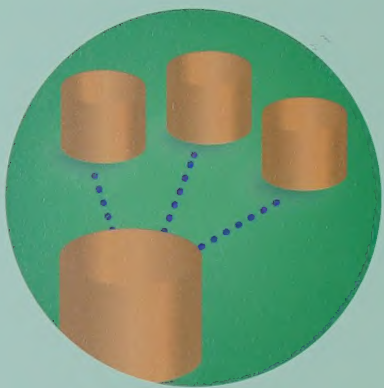
Enterprise Information Portal Solutions

The cornerstone of the Company's Enterprise Information Portal Solutions business is Hummingbird EIP™, a fully customizable web-based environment that enables access to structured data (in databases) and unstructured data (in e-mail, documents, presentations and other files). As such, the portal provides a single point of access to the vast amount of information stored across the enterprise. When integrated with Hummingbird's proven solutions for document and content management, data integration, and business intelligence to form Enterprise Portal Suite™, users are further empowered to act on this information. Simply put, Hummingbird's portal solutions leverage existing investments in enterprise applications and technology in the creation of an e-business platform that helps organizations gain new insights into their business.

The market for enterprise information portals is evolving very rapidly and definitions of its size vary widely. A Merrill Lynch & Co. report defined the portal market opportunity as the sum of the existing knowledge management, business intelligence, and data warehousing markets, implying a $14.8 billion market by 2002. In contrast, The Delphi Group estimates spending on the portal infrastructure alone (excluding the underlying business applications) will reach $740 million by the end of 2001. Many industry experts expect the technology to become the new user interface to all enterprise information and applications, and thus, while estimates of the current size of the portal market vary widely, there is absolute unanimity that its potential is vast.

Products

Estimates generally mark the proportion of unstructured information – letters, e-mails, forms, multimedia presentations and other documents – at 80 percent of all information generated by the average organization. **Document and Content Management** is about being able to control, organize, access and share this information quickly, easily and securely, so that users can realize its full value. Document and content management applications benefit organizations by drastically reducing the time spent searching for information, protecting intellectual capital, improving document security, and streamlining review and regulation processes. From DOCS Open®, the long-time leader in the client/server document management space, to CyberDOCS®, the web-based content management platform that is fully integrated into Enterprise Portal Suite™, Hummingbird provides robust, scalable solutions for the management of unstructured information.



In order to establish an effective platform for e-business, organizations must consider how to rapidly and reliably exchange data among a wide range of data sources and applications. Accomplishing this is rarely straightforward. Data is often stored across a broad spectrum of systems, including enterprise resource planning, supply chain management and customer relationship management applications, as well as mainframes and other legacy systems. Genio Suite™, Hummingbird's **Data Integration** solution, enables organizations to extract data from wherever it is – regardless of hardware platform or database – and then filter, transform and compile it into a format that can be used with other value-added applications.

Today's e-business environment generates enormous amounts of data that contain valuable information about processes, customers, suppliers and a host of other critical elements. However, intuitive analytical applications are needed to uncover patterns and trends in this mass of data so that it can be leveraged to an organization's benefit. Hummingbird's **Business Intelligence** solution, BI/Suite™, provides a complete set of tools that perform Web or Windows-based query and reporting, on-line analytical processing (OLAP) and a full range of business analytic applications that help enterprises streamline processes and increase their competitive advantage.

Host Access and Network Connectivity

It is estimated that nearly 80 percent of the average enterprise's structured data resides on mainframe, AS/400, Linux and UNIX systems. These systems continue to run the majority of business-critical applications, including customer service, order entry and supply chain management systems. While these legacy systems are reliable and secure, host applications are difficult to rejuvenate. Reengineering applications, migrating data, and modifying business processes are expensive alternatives to accessing these resources.

Hummingbird offers a complete line of Host Access and Network Connectivity products that provide organizations with traditional Windows-based and thin Web-based technologies required to seamlessly access information and resources on legacy systems. This business line includes the revenue from such products as Exceed™, which has long dominated the market for applications that access UNIX workstations using the X-Windows protocol, to HostExplorer™, a leading product used to access mainframes.

Business Strategy

Hummingbird's principal business strategy is to develop and deliver enterprise software solutions that maximize the value of enterprise information and resources, by enabling users to efficiently access the information they need and empowering them to act on it swiftly.

The execution of this strategy depends on operational initiatives within every aspect of the Company. First, maintaining the technological leadership necessary to compete in the rapidly evolving enterprise software market necessitates ongoing investments in research and development. Equally important to the Company's overall success are a compelling marketing program, the maintenance and training of a global direct sales force, and the ability to offer professional services, maintenance and support to a growing customer base. Partnerships and strategic alliances are made where appropriate to extend the Company's bandwidth in any of these business drivers. All of these groups are supported by an ongoing focus on corporate infrastructure.

RESEARCH AND DEVELOPMENT

The Company's research and development efforts are focused on the development of industry-leading portal software and the underlying applications that integrate into it. The Company's cornerstone product is Hummingbird EIP™ a flexible solution that includes the customer's choice of our best-of-breed document and content management, data integration and business intelligence applications. While a portion of research and development spending continues to be allocated toward these individual products, the lion's share of the Company's investment is focused on the convergence of these products into the portal framework. This emphasis is aligned with a key tenet of the Company's competitive strategy, namely that its ownership of the underlying technologies creates a superior ability to integrate them tightly into the portal interface and improve the overall usability of the solution.

MARKETING

The communication of Hummingbird's new solution identity to the marketplace over the past year has elevated the importance of the Company's marketing efforts to new heights. The Company has undergone a re-branding process

through which it has sought to translate the brand equity of its industry-leading Exceed™ X-Windows application to the broader portfolio of enterprise software it has developed and acquired in recent years. This effort has been achieved through new solution-oriented advertising, an increased focus on the broader industry analyst community and participation in trade shows that create profile within the software solution marketplace. This heightened focus on marketing will continue for the foreseeable future as the creation of mind-share remains a key success factor in winning market share in the software solution space.

SALES AND DISTRIBUTION

Hummingbird's solutions have traditionally been sold through two primary channels, a global direct sales force and an international network of partners. As a final stage of the transition to becoming a true solution provider, in the fourth quarter the Company announced an increasing strategic focus on its direct sales channel. This change will be manifested in two ways: through the integration and cross training of the Company's product-specific sales organization (excepting host access and network connectivity), and the objective to increase total head count in the solution sales organization over the next fiscal year. The Company believes that increasing the size and improving the training level of its direct sales force are essential to its success in the enterprise software solutions marketplace. It further believes that these investments will begin to produce positive returns during the latter half of fiscal 2001.

PROFESSIONAL SERVICES

The Company's strategic focus on enterprise software solutions has also necessitated an increasing focus on professional services and customer support. In contrast to Hummingbird's Host Access and Network Connectivity business, the deployment of its Enterprise Information Portal Solutions is significantly enhanced when tailored to the user's environment; accordingly, the Company's competitive position is that limited value can be derived from an uncustomized portal. Whether provided by the Company, the customer or a third party, professional services are required to customize the portal and integrate it into the customer's existing systems so as to leverage previous infrastructure investments.

CORPORATE INFRASTRUCTURE

Maintaining a corporate infrastructure capable of supporting growth in all aspects of the business is an ongoing priority for Hummingbird. Its investments in information systems and technology are a key component of this strategy. The Company's efforts to lead by example and employ Hummingbird technologies in the conduct of its own business provide an excellent example of its commitment to corporate infrastructure.

The Company also continues to invest in its human resources infrastructure. Several initiatives have been undertaken to show an ongoing commitment to employees, including various training and retention programs.

The "e" in e-business is increasingly assumed

Hummingbird helps customers realize their e-business strategies

CUSTOMER: A MAJOR GLOBAL AEROSPACE COMPANY

Hummingbird's relationship with this customer dates back to 1995, when it purchased GQL, a query and reporting application developed by Andyne Computing, a company Hummingbird acquired in early 1998. The solution has enhanced the customer's financial reporting capabilities by providing analysis of data from the company's SAP enterprise resource management system. Based on its satisfaction with the Andyne product, the customer approached Hummingbird in 1999 when it began the search for a web-based business intelligence (BI) solution to simplify systems administration. In September 1999 it selected Hummingbird's web-based BI/Broker™ solution, based on the strength of the prototype and the longstanding relationship between Hummingbird's pre-sales representatives and the customer's project managers. The new solution enables better leverage of the information in BI reports using the enhanced information sharing options inherent in the web-based architecture.

In the fall of 1998 the customer began its search for a document and knowledge management solution that could create a single document repository capable of managing its Word, Excel, Metaphase, Arbortex, Autocad and SAP documents. The ability to provide appropriate access to users across multiple sites was also a requirement. The primary factors that were considered during the evaluation were security, ease of integration with third party applications, the ability to support SGML/XML formats, and the opportunity to use either client/server or web-based interfaces. The customer ultimately purchased 2,000 seats of Hummingbird's document and content management solution, PowerDOCS® and CyberDOCS™, as well as Hummingbird EIP™. Users report that they are now able to follow the life of all documents, control versions and exchange documents securely across multiple sites through the company's intranet. Importantly, the customer's technology staff have the ability to manage the company's many office solutions with a single unique and secure file system.

The customer also began evaluating opportunities to migrate its host connectivity applications to a thin client architecture in 1999, as part of its overall effort to embrace e-business. While the company had chosen a number of vendors for its client/server connectivity needs over the years, an objective of this project was to standardize with a single vendor in order to facilitate deployment and administration. The offerings of a few key competitors were evaluated primarily on the basis of technology and service quality. Three vendors presented adequate technology, including Hummingbird with HostExplorer™ Web. However, Hummingbird was distinguished by the responsiveness of its people. They presented a groundbreaking new product that combined the robust functionality of a fat client product with the easy administration of a web-based solution. In the fall of 2000, based on the value-added that was promised by the product and the customer's strong confidence in Hummingbird's ability to deliver on its commitments, the customer purchased 1,000 seats of Exceed™ 3D and 2,500 seats of HostExplorer™.

The customer's efforts to migrate several key business applications to a web-based architecture make it an ideal candidate to derive material benefits from Hummingbird's technology. Seeing the potential for Hummingbird solutions to add more value throughout its business, the customer is evaluating extending its EIP implementation to offer one interface to multiple applications, federate other information sources, and ultimately to exchange information with customers, suppliers, and other members of its group of companies.

Customers demand solutions that address their evolving business needs

CUSTOMER: A MAJOR GLOBAL TELECOMMUNICATIONS COMPANY

Hummingbird's relationship with this Fortune 100 telecommunications company dates back to 1993 when the company purchased its first seats of Exceed™. Since that time, it has deployed over 13,000 licenses for Hummingbird's industry leading X-Windows connectivity product. The software is used in many parts of the vast organization to access various proprietary applications that operate on UNIX servers to perform such functions as accounting and ordering. Over the years the company and all of its subsidiaries has standardized on Hummingbird's X-Windows connectivity technology.

Through its acquisition of PC DOCS, Hummingbird also inherited an installed base of over 300 seats in the company's corporate legal department. The company has been a DOCS Open® customer since 1997. The relationship was expanded under Hummingbird's stewardship with the migration to the web-based version of the Company's document management product suite during the 4th quarter of fiscal 2000. This upgrade was originally undertaken as a method for broadening access and maintaining security on cases for which the company had to work actively with outside counsel. The combination of the DOCSFusion™ server and CyberDOCS™ thin client allowed the customer to provide the appropriate parties with remote, browser-based access to those documents pertaining to a particular issue, while restricting access to the company's other confidential legal information.

At the same time, the company invested in enhancing the future productivity of its knowledge asset by purchasing CyberDOCS™ Imaging, an application that allows faxes and other documents to be scanned into the system. This not only eliminates the need for paper files but allows the documents to be viewed remotely through the internet without any desktop client software.

In a multinational telecommunications company such as this customer, improved remote access to critical legal documents was a key driver in the decision to upgrade the document management system to a web-based solution. The customer elected to expand its relationship with Hummingbird based on the continuing innovation in the product line, and its consistent record of excellent service and support.

Hummingbird delivers ongoing innovation that helps customers stay ahead of the curve

Partnership is an important source of business synergy

Hummingbird builds alliances to create value for its customers and stakeholders

PARTNER: NCR CORP.

In August 2000, Hummingbird and NCR Corporation announced a joint Global Referral Agreement. This agreement focuses on combining the strengths of the two companies to deliver robust enterprise solutions globally, based on their compatible data warehousing technologies. NCR Corporation develops and sells the Teradata database, which is the world's leading database for high-volume, enterprise class data warehouse environments.

The NCR alliance has been built on relationships that were formerly created by two predecessor organizations of Hummingbird's, Andyne Computing and Leonard's Logic. The Hummingbird BI/Suite™ (business intelligence) and Genio Suite™ (data integration) products were created by these companies and developed to interoperate with the Teradata database. The ability of Genio Suite™ to support direct access to Teradata's bulk loaders forms the foundation of the current alliance. Genio Suite's direct access of Teradata's bulk loaders, optimizes load management for complex warehouses. Today, Hummingbird uses the Teradata database to test and enhance the enterprise scalability of Genio Suite™. Specifically, Teradata was used as an internal development benchmark, validating Genio Suite's ability to perform beyond the limits set by conventional databases and data integration tools.

The current scope of this alliance covers key Hummingbird technologies such as: Hummingbird EIP™, BI/Suite™, Genio Suite™ and Genio Miner. While most joint customers have focused on solutions for the storage and analysis of structured data, Hummingbird EIP™ represents a relatively unexplored common opportunity for the alliance and customers. Hummingbird's Enterprise Information Portal Solutions have the potential to add significant value to Teradata customers running analytic applications by providing them single login, search and collaboration capabilities. Hummingbird and NCR both see significant growth potential for expanding their combined presence in the market for end-to-end enterprise software solutions. Both companies have committed engineering and marketing resources to drive the success of this relationship. Necessary investments will be made to bolster and extend the interoperability of our products to drive a competitive advantage in the market for our combined offerings.

Joint Success Story

Nacional Financiera (NAFIN) is the business development bank for the Mexican government. It purchased Hummingbird's Genio data warehousing tool in December 1999. Hummingbird was approached by NCR to participate in a data warehousing project to develop a solution for NAFIN. Based on the success of this project, NCR and Hummingbird are now working to solve many other customer needs throughout Latin America. Since the initial delivery of the joint solution NAFIN has now begun evaluating other Hummingbird products for their business needs.

Corporate Directory

BOARD OF DIRECTORS

Fred Sorkin[1,2]
Chairman of the Board

John T. McLennan[1,2]
Vice Chairman & CEO,
AT&T Canada
(Vice Chairman)

Alan Barry Litwin
Corporate Director

Andrew J. Malik[1,2]
Managing Director,
Lehman Brothers Inc.

Inder P.S. Duggal
Corporate Director

Mark D. Spitzer
Independent Director

(1) Members of the Audit Committee
(2) Members of the Compensation Committee

EXECUTIVE OFFICERS

Chairman of the Board &
Chief Executive Officer
Fred Sorkin

President & Secretary
Alan Barry Litwin

Chief Financial Officer &
Chief Controller
Inder P.S. Duggal

Senior Vice President,
Global Sales
Fabrizio Mignini

Senior Vice President,
Research & Development
Fred Whiteside

Senior Vice President,
Marketing
Lynne Hardwick

Senior Vice President,
Sales
Julius Da Costa

Senior Vice President,
Business Strategies
Joey Beitdashtoo

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Chris Cardinal
Eugene Cherny
Rodney Desmeules
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Sit Foo
Bill Martin
Rodney Piette
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SHARE LISTING

NASDAQ National
Market System – ("HUMC")
Toronto – ("HUM")

Annual Meeting

The Annual Meeting of Shareholders will be held on Friday, March 23, 2001 at 10:00 a.m., at the Hummingbird Centre for the Performing Arts, Toronto, Ontario, Canada.

Financials

www.hummingbird.com

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Hummingbird™

Financials

Hummingbird™

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Management's Discussion and Analysis of Financial Condition and Results of Operations

(Fiscal year ended September 30, 2000 compared to fiscal year ended September 30, 1999)

FORWARD-LOOKING STATEMENTS

The following discussion contains forward-looking statements that are subject to significant risks and uncertainties. A number of important factors could cause actual results to differ materially from historical results and percentages, and results anticipated by the forward-looking statements contained in the following discussion. Such factors and risks include, but are not limited to, intense competition and rapid change in the enterprise software industry, including price and product feature competition; the introduction of new products by existing or new competitors; the economic environment; dependence on distributors and the emergence of new distribution channels; the timing and customer acceptance of new or upgraded products; and the ability to develop, market, support and acquire new products in an environment of rapidly changing technology. Readers should carefully review the risks described herein and in the other documents Hummingbird Ltd. ("Hummingbird" or "the Company") files from time to time with the United States Securities and Exchange Commission and the Ontario Securities Commission.

OVERVIEW

The following discussion should be read in conjunction with the audited consolidated financial statements and notes included in this Annual Report to Shareholders. The Company reports its consolidated financial statements and Management's Discussion and Analysis in U.S. dollars and in accordance with U.S. generally accepted accounting principles (GAAP). The consolidated financial statements and MD&A in accordance with Canadian GAAP, in U.S. dollars, are also contained within this report.

The Company develops, manufactures and markets enterprise software solutions, with a strategic focus on Enterprise Information Portal (EIP) Solutions. The Company currently generates slightly more than half of its revenue from the sale of applications that integrate into the EIP, specifically document and content management, data integration and business intelligence software. Sales of Host Access and Network Connectivity software comprise the balance.

FINANCIAL CONDITION AND RESULTS OF OPERATIONS IN ACCORDANCE WITH U.S. GAAP

Fiscal Years ended September 30 (thousands of U.S. dollars)	**2000**	1999
Sales	**$ 237,106**	$ 165,930
Cost of sales	**21,694**	16,759
Gross profit	**215,412**	149,171
Expenses		
Sales and marketing	**93,709**	65,779
Research and development	**38,510**	22,546
General and administration	**22,400**	16,178
Amortization of intangibles	**29,438**	13,014
Restructuring	**–**	8,750
Compensation related to stock options	**–**	141
Write-off of intangibles	**–**	15,839
Total expenses	**184,057**	142,247
Income before the undernoted	**31,355**	6,924
Other income, net	**918**	4,455
Gain on sale of investment in subsidiary	**–**	5,204
Income before income taxes	**32,273**	16,583
Income taxes	**21,996**	16,304
Net income	**$ 10,277**	$ 279

Sales

The Company generates revenue from the sale of software licenses, related support and maintenance, and professional services including training, consulting and implementation of Hummingbird software. The Company's products are marketed and sold through a direct corporate sales force and a worldwide network of resellers.

The Company derives its revenue from two principal product families: Host Access and Network Connectivity, and Enterprise Information Portal Solutions. Host Access and Network Connectivity is the Company's legacy business, generating substantial cash flow and modest growth. Enterprise Information Portal Solutions encompass the technologies acquired from PC DOCS, Andyne Computing and Leonard's Logic in recent years. Total revenue increased to $237.1 million in fiscal 2000 from $165.9 million in fiscal 1999. Increased revenues in the Enterprise Information Portal Solutions product family are primarily attributed to the acquisition of PC DOCS; the Host Access and Network Connectivity product family experienced growth of approximately 10%.

The revenue from the Company's two product families appears below:

($US millions)	**2000**	1999
Host Access and Network Connectivity	**$ 115.0**	$ 104.9
Enterprise Information Portal Solutions	**122.1**	61.0
	$ 237.1	$ 165.9

Cost of Sales

Cost of sales falls into three broad categories: personnel costs related to the provision of professional training and consulting services; royalties payable to companies whose software is bundled in the Company's products; and production costs, including product media, duplication, manuals and packaging. Cost of sales increased to $21.7 million in fiscal 2000 from $16.8 million in fiscal 1999 as a result of the increased size of operations. The Company's gross profit remained relatively stable as a percentage of revenue in fiscal 2000 compared to fiscal 1999.

Sales and Marketing Expenses

Sales and marketing expenses consist of personnel costs, facilities costs and marketing activities in the form of advertising, promotions and trade shows. Sales and marketing expenses increased to $93.7 million in fiscal 2000 from $65.8 million in fiscal 1999. This increase was attributed almost entirely to the increased size of operations as sales and marketing expenses remained constant at 40% of total revenue. This proportion is expected to increase somewhat in fiscal 2001 as the Company continues to actively promote its corporate solution identity and portal offering through heightened marketing activities and increased sales head count.

Research and Development Expenses

Research and development expenses consist of personnel and equipment costs required to develop and support the Company's products as an integrated whole. In addition it includes facilities costs and licensing fees for technology used in the research and development effort. The Company expenses all research costs as they are incurred. Development costs are only capitalized if they meet the strict criteria set out by generally accepted accounting principles. Accordingly, no development costs were capitalized during fiscal 1999 or 2000. Research and development expenses increased to $38.5 million in fiscal 2000 from $22.5 million in fiscal 1999, representing an increase to 16% of sales in fiscal 2000 from 14% of sales in fiscal 1999. This increase resulted from increased size of operations and a broader scope of products, stemming largely from the acquisitions of PC DOCS and Leonard's Logic.

The Company believes that continued investments in research and development are required to remain competitive in the software industry, particularly the rapidly evolving market for enterprise information portals. The Company believes that research and development costs will continue to rise. However, as a result of efforts to rationalize the research and development process, including the convergence among several of the Company's products, these costs are expected to remain relatively constant as a percentage of revenue in the near future.

General and Administration Expenses

General and administration expenses consist primarily of personnel costs and overhead expenses. These expenses increased to $22.4 million in fiscal 2000 from $16.2 million in fiscal 1999, principally as a result of the acquisition of PC DOCS in fiscal 1999. However, the Company's efforts to eliminate duplicative overheads and generally lower the cost structure of the acquired company have resulted in general and administration expenses declining to 9% of revenue during fiscal 2000 from 10% in fiscal 1999. The Company expects general and administration expenses to remain within a similar range as a percentage of revenue in the near future.

Amortization of Intangibles

This amount consists of amortization of the goodwill and other intangibles acquired from 1995 to 2000. These amounts are being amortized over periods ranging from three to ten years. The amortization of intangibles increased to $29.4 million in fiscal 2000 from $13.0 million in fiscal 1999, principally as a result of the acquisitions of PC DOCS and Leonard's Logic.

Restructuring Expenses

There were no restructuring charges for fiscal 2000 compared to $8.8 million in fiscal 1999. This amount related to charges such as employment severances, costs for redundant assets and facilities, reorganization costs as a result of the integration of PC DOCS and the refocusing of the business strategy of the Company. During fiscal 1999 the Company undertook a thorough review of all aspects of its business in the context of its then recent acquisition activity. In its review, management considered the changing market and industry trends to Internet-based products, synergies to be attained from combining purchased businesses with existing operations, and costs associated with the elimination of organizational and facility duplication. This review determined significant planned restructuring, including integration of operations, employee severance activities and closure of duplicate facilities. Decisions made were accounted for under the provisions set forth in Emerging Issues Task Force Consensus 94-3.

Compensation Related to Stock Options

This amount represents compensation expense charged to income. There was no compensation related to stock options in fiscal 2000 compared to $0.1 million in fiscal 1999.

Write-off of Intangibles

This amount consists of write-off of goodwill, in-process research and development and other intangibles. The Company regularly reviews the carrying value of its intangibles based on the expected future operating income to determine recoverability of the assets, and when necessary, an adjustment is made to the carrying value. There was no write-off of intangibles during fiscal 2000 compared to $15.8 million in fiscal 1999.

Other Income, Net

This is the net amount of interest income and interest expense. Other income declined to $0.9 million in fiscal 2000 from $4.4 million in fiscal 1999, principally as a result of utilizing cash resources and incurring indebtedness in relation to the acquisition of PC DOCS in 1999. Other income improved in the latter half of fiscal 2000 as the Company's debt was eliminated and cash reserves were replenished.

Gain on Sale of Investment in Subsidiary

A gain of $5.2 million was realized in fiscal 1999 from the sale of a German subsidiary.

Income Taxes

The Company's estimated effective income tax rate for fiscal 2000 was 68% compared to 98% in fiscal 1999. This is primarily due to the non-deductibility of the amortization of intangibles arising largely from acquisitions offset by foreign rate differences.

Net Income

The Company's net income increased to $10.3 million in fiscal 2000 from $0.3 million in fiscal 1999, as a result of the factors outlined above.

Liquidity and Capital Resources

The Company had cash of $79.0 million at the end of fiscal 2000, compared to long term debt, net of cash, of $47.9 million at the end of fiscal 1999. This improvement in the Company's cash position arose from the issuance of 2.96 million shares during the year (2 million in an offering, and 0.96 million from the exercise of employee stock options), the disposition of CMS/Data Corporation, and internally generated cash flow through the year.

The Company generated operating cash flow of $24.4 million during fiscal 2000 compared to $7.1 million in fiscal 1999. Capital expenditures, net of dispositions, were $3.1 million during fiscal 2000, consisting primarily of procurement of computer hardware and software, and fixed assets such as leasehold improvements, furniture and office equipment. $2.3 million was expended on the acquisition of the assets of Diamond Head Software, Inc., while the proceeds received in fiscal 2000 from the divestiture of CMS/Data Corporation in fiscal 1999 generated cash of $30.0 million that was used to reduce debt.

Management believes that current cash balances together with cash flow from operations will be sufficient to meet the cash requirements of working capital, capital expenditures, and research and development for fiscal 2001.

New Accounting Pronouncements

In June 1998, the Financial Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities". In June 2000, the FASB issued SFAS No. 138, which amends certain provisions of SFAS 133 to clarify four areas causing difficulties in implementation. The Company will adopt SFAS 133 and the corresponding amendments under SFAS 138 on October 1, 2000. SFAS 133, as amended by SFAS 138, is not expected to have a material impact on the Company's consolidated results of operations, financial position or cash flows.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 101 Revenue Recognition in Financial Statements. Since that time the SEC has issued several amendments to this SAB as well as a "Frequently Asked Questions" document. The Company must apply the provisions of SAB 101 no later than the fourth quarter of fiscal year 2001. SAB 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements of all public registrants. It does not amend the revenue recognition guidance set forth in Statement of Positions 97-2, Software Revenue Recognition. Accordingly, management believes that SAB 101 will not materially impact the Company's financial statements.

In March 2000, the FASB issued Interpretation No. 44, Accounting for Certain Transactions involving Stock Compensation, an interpretation of APB Opinion No. 25, which, among other things, would require variable-award accounting for repriced options from the date the option is repriced until the date of exercise. This interpretation is effective July 1, 2000, but certain conclusions in this Interpretation cover specific events that occur after either December 15, 1998, or January 12, 2000.

FINANCIAL CONDITION AND RESULTS OF OPERATIONS IN ACCORDANCE WITH CANADIAN GAAP

Fiscal Years ended September 30 (thousands of U.S. dollars)	**2000**	1999
Sales	**$ 237,106**	$ 165,930
Cost of sales	**21,694**	16,759
Gross profit	**215,412**	149,171
Expenses		
Sales and marketing	**93,709**	65,779
Research and development	**38,510**	22,546
General and administration	**22,400**	16,178
Amortization of intangibles	**36,127**	23,351
Restructuring	**–**	8,750
Write-off of intangibles	**–**	1,819
Total expenses	**190,746**	138,423
Income before the undernoted	**24,666**	10,748
Other income, net	**918**	4,455
Gain on sale of investment in subsidiary	**–**	5,204
Income before income taxes	**25,584**	20,407
Income taxes	**28,318**	16,105
Net income (loss)	**$ (2,734)**	$ 4,302

Sales

The Company generates revenue from the sale of software licenses, related support and maintenance, and professional services including training, consulting and implementation of Hummingbird software. The Company's products are marketed and sold through a direct corporate sales force and a worldwide network of resellers.

The Company derives its revenue from two principal product families: Host Access and Network Connectivity, and Enterprise Information Portal Solutions. Host Access and Network Connectivity is the Company's legacy business, generating substantial cash flow and modest growth. Enterprise Information Portal Solutions encompass the technologies acquired from PC DOCS, Andyne Computing and Leonard's Logic in recent years. Total revenue increased to $237.1 million in fiscal 2000 from $165.9 million in fiscal 1999. Increased revenues in the Enterprise Information Portal Solutions product family are primarily attributed to the acquisition of PC DOCS Group; the Host Access and Network Connectivity product family experienced growth of approximately 10%.

The revenue from the Company's two product families appears below:

($US millions)	**2000**	1999
Host Access and Network Connectivity	**$ 115.0**	$ 104.9
Enterprise Information Portal Solutions	**122.1**	61.0
	$ 237.1	$ 165.9

Cost of Sales

Cost of sales falls into three broad categories: personnel costs related to the provision of professional training and consulting services; royalties payable to companies whose software is bundled in the Company's products; and production costs, including product media, duplication, manuals and packaging. Cost of sales increased to $21.7 million in fiscal 2000 from $16.8 million in fiscal 1999 as a result of the increased size of operations. The Company's gross profit remained relatively stable as a percentage of revenue in fiscal 2000 compared to fiscal 1999.

Sales and Marketing Expenses

Sales and marketing expenses consist of personnel costs, facilities costs and marketing activities in the form of advertising, promotions and trade shows. Sales and marketing expenses increased to $93.7 million in fiscal 2000 from $65.8 million in fiscal 1999. This increase was attributed almost entirely to the increased size of operations as sales and marketing expenses remained constant at 40% of total revenue. This proportion is expected to increase somewhat in fiscal 2001 as the Company continues to actively promote its corporate solution identity and portal offering through heightened marketing activities and increased sales head count.

Research and Development Expenses

Research and development expenses consist of personnel and equipment costs required to develop and support the Company's products as an integrated whole. In addition it includes facilities costs and licensing fees for technology used in the research and development effort. The Company expenses all research costs as they are incurred. Development costs are only capitalized if they meet the strict criteria set out by generally accepted accounting principles. Accordingly, no development costs were capitalized during fiscal 1999 or 2000. Research and development expenses increased to $38.5 million in fiscal 2000 from $22.5 million in fiscal 1999, representing an increase to 16% of sales in fiscal 2000 from 14% of sales in fiscal 1999. This increase resulted from increased size of operations and a broader scope of products, stemming largely from the acquisitions of PC DOCS and Leonard's Logic.

The Company believes that continued investments in research and development are required to remain competitive in the software industry, particularly the rapidly evolving market for enterprise information portals. The Company believes that research and development costs will continue to rise. However, as a result of efforts to rationalize the research and development process, including the convergence among several of the Company's products, these costs are expected to remain relatively constant as a percentage of revenue in the near future.

General and Administration Expenses

General and administration expenses consist primarily of personnel costs and overhead expenses. These expenses increased to $22.4 million in fiscal 2000 from $16.2 million in fiscal 1999, principally as a result of the acquisition of PC DOCS in fiscal 1999. However, the Company's efforts to eliminate duplicative overheads and generally lower the cost structure of the acquired company have resulted in general and administration expenses declining to 9% of revenue during fiscal 2000 from 10% in fiscal 1999. The Company expects general and administration expenses to remain within a similar range as a percentage of revenue in the near future.

Amortization of Intangibles

This amount consists of amortization of the goodwill and other intangibles acquired from 1995 to 2000. These amounts are being amortized over periods ranging from three to ten years. The amortization of intangibles increased to $36.1 million in fiscal 2000 from $23.4 million in fiscal 1999, principally as a result of the acquisitions of PC DOCS and Leonard's Logic.

Restructuring Expenses

There were no restructuring charges for fiscal 2000 compared to $8.8 million in fiscal 1999. This amount related to charges such as employment severances, costs for redundant assets and facilities, reorganization costs as a result of the integration of PC DOCS and the refocusing of the Company's business strategy. During fiscal 1999 the Company undertook a thorough review of all aspects of its business in the context of its then recent acquisition activity. In its review, management considered the changing

market and industry trends to Internet-based products, synergies to be attained from combining purchased businesses with existing operations, and costs associated with the elimination of organizational and facility duplication. This review determined significant planned restructuring, including integration of operations, employee severance activities and closure of duplicate facilities.

Write-off of Intangibles

This amount consists of write-off of goodwill and other intangibles. The Company regularly reviews the carrying value of its intangibles based on the expected future operating income to determine recoverability of the assets, and when necessary, an adjustment is made to the carrying value. There was no write-off of intangibles during fiscal 2000 compared to $1.8 million in fiscal 1999.

Other Income, Net

This is the net amount of interest income and interest expense. Other income declined to $0.9 million in fiscal 2000 from $4.5 million in fiscal 1999, principally as a result of utilizing cash resources and incurring indebtedness in relation to the acquisition of PC DOCS in 1999. Other income improved in the latter half of fiscal 2000 as the Company's debt was eliminated and cash reserves were replenished.

Gain on Sale of Investment in Subsidiary

A gain of $5.2 million was realized in fiscal 1999 from the sale of a German subsidiary.

Income Taxes

The Company's estimated effective income tax rate for fiscal 2000 was 111% compared to 79% in fiscal 1999. This is primarily due to the non-deductibility of the amortization of intangibles arising largely from acquisitions offset by foreign rate differences.

Net Income

The Company's had a net loss of $2.7 million in fiscal 2000 compared to a net income of $4.3 million in fiscal 1999, as a result of the factors outlined above.

Liquidity and Capital Resources

The Company had cash of $79.0 million at the end of fiscal 2000, compared to long term debt, net of cash, of $47.9 million at the end of fiscal 1999. This improvement in the Company's cash position arose from the issuance of 2.96 million shares during the year (2 million in an offering, and 0.96 million from the exercise of employee stock options), the disposition of CMS/Data Corporation, and internally generated cash flow through the year.

The Company generated operating cash flow of $24.5 million during fiscal 2000 compared to $7.1 million in fiscal 1999. Capital expenditures, net of dispositions, were $3.1 million during fiscal 2000, consisting primarily of procurement of computer hardware and software, and fixed assets such as leasehold improvements, furniture and office equipment. $2.3 million was expended on the acquisition of the assets of Diamond Head Software, Inc., while the proceed received in fiscal 2000 from the divestiture of CMS/Data Corporation in fiscal 1999 generated cash of $30.0 million that was used to reduce debt.

Management believes that current cash balances together with cash flow from operations will be sufficient to meet the cash requirements of working capital, capital expenditures, and research and development for fiscal 2001.

OUTLOOK

The Company believes that success in the rapidly-evolving market for enterprise software solutions depends largely upon the identification and sound execution of several strategy points including:

- the stimulation of technological excellence;
- astute management of technological change; and,
- an effective sales and marketing strategy.

These factors form the basis of the Company's ability to compete effectively in a challenging and dynamic environment.

Stimulating Technological Excellence

The Company considers its early success in the portal marketplace and the continuance of its leadership position in the markets for the underlying business applications to be a result of its longstanding record of delivering advanced products and solutions that meet diverse customer requirements. This has been true throughout the Company's history, and is expected to remain so for the foreseeable future. The Company's focus has shifted from the development, marketing and sale of specific products to that of integrated customer-centric solutions. The Company believes its portal framework and components deliver optimal value when tailored to the customer's specific requirements.

Consequently, the Company's requirements for technological excellence, innovation and competition have undergone a change. The Company's research and development efforts have traditionally focussed on developing products that do not require customization at the customer's site. Portals, however, require customization in order to be effectively integrated into the customer's information technology infrastructure to achieve optimal value. Management believes companies whose products are designed to facilitate this process possess a competitive advantage, insofar as the customer can begin to benefit from the product sooner and with a lower total cost of ownership.

Key components required to build a product that can be shaped into industry-leading solutions include performance (including ease of use, speed, and customization capabilities), scalability, and extensibility. When these elements are built into the product that comes out of the box, the Company has the building blocks required to create a superior solution within an acceptable time frame.

A significant component of the Company's efforts to maintain technological excellence stem from the regular release of updated versions of its products.

The table below lists the major product releases during the fiscal year:

Enterprise Information Portal Solutions				**Host Access and Network Connectivity**
Enterprise Information Portal	Document Management	Business Intelligence	Data Integration	
Hummingbird EIP™ 1.0, 1.5	DOCS Open® 3.9	BI/Suite™ 6.1	Genio Suite™ 4.5	Exceed™ 7.0
Hummingbird EIP™ Legal Edition	PowerDOCS® 3.1			HostExplorer™ 7.0
Hummingbird EIP™ Developers Edition	CyberDOCS™ 3.5			Exceed Web™ 2.1
Fulcrum SearchServer™ 4.0	DOCSFusion® 3.5.1			HostExplorer Web™ 2.0
Fulcrum KnowledgeServer™ 3.5				Hummingbird e-Toolkit™ 2.1
				NFS Maestro™ 7.0

The release of Hummingbird EIP™ 4.0, introducing the Company's unique application collaboration technology, was an important development that occurred subsequent to year-end. This new version of Hummingbird EIP™ forms the backbone of the Company's solution suite in which various combinations of its other products collaborate. This flexible solution will underpin the Company's technology strategy during fiscal 2001.

Managing Technological Change

Technological change has created tremendous opportunities for Hummingbird, most notably, the increasing use of the internet in various business processes. These opportunities fall into two basic groups: managing "infoglut" and moving applications from client/server to web-based architectures.

"Infoglut" is the term that is commonly applied to the current state of many technology users in which they are inundated with information but lack the tools with which to search, categorize, analyze and otherwise manage it to extract the knowledge required to turn it into competitive advantage. Hummingbird develops several tools that combat infoglut of various forms, including integrating and analyzing structured data trapped in disparate databases and transactional systems, searching and categorizing unstructured information residing in multiple document repositories, web pages, e-mails, and presentations. The more information that is created and the more applications and systems that are used to create it, the larger Hummingbird's potential market gets.

The second major area of opportunity created for Hummingbird by the Internet is the migration of business processes to the web. In order to do this, a plethora of client/server applications must be redesigned using a web-based architecture. Hummingbird has invested significant research and development resources in adapting its products to this new paradigm and thus, is faced with a tremendous opportunity within its traditional customer base. Because primarily web-based applications are integrated into the portal, this paradigm shift in the world's IT infrastructure is a key driver of Hummingbird's portal market opportunity.

The Company's ability to assess the ongoing viability of existing markets and identify new market opportunities for its solutions continues to be critical to its future success.

Sales and Marketing Strategy

The Company sells its solutions, along with related training, consulting, support and maintenance services in more than 50 countries around the world, with a primary focus on Fortune 1000 companies and government agencies. The geographic distribution of the Company's revenue is as follows:

	2000	1999
	(%)	(%)
North America	**62**	57
Europe	**33**	38
Other	**5**	5

The Company's sales and marketing strategy has undergone a significant transformation during the past year in keeping with the shift to a solutions strategy. Management expects these changes to positively impact the Company's ability to compete in its new markets.

Sales

Prior to the PC DOCS acquisition, the majority of the Company's revenue was derived from sales of its host access and network connectivity product line with, in most cases, the purchase decision being made by managers of the customer's information systems department. Significant organizational changes were required to address the different nature of solutions selling. The target audience for enterprise solutions is generally the Chief Information or Chief Technology Officer (CIO/CTO), most commonly through a direct sales force. Determining the optimal method for leveraging historic selling relationships and expertise across a much more diverse organization was a central focus for management during fiscal 2000. The unification of product-specific sales forces thus became a key activity during the year. These efforts focused on rationalizing the global management structure and cross-training sales representatives in multiple products. These activities were completed early in fiscal 2001.

EIP field representatives are now capable of selling the Company's complete portfolio of solutions that comprise Enterprise Portal Suite™. The Company believes recent cross-training efforts will improve its ability to meet customer requirements for end-to-end solutions, while improving the overall efficiency of its sales organization. With the restructuring of the sales organization complete, expanding the number of field personnel is a key corporate priority for fiscal 2001, particularly in North America where the Company perceives the largest demand for its solutions.

Marketing

The mandate of the Company's marketing organization is to support Hummingbird's strategic objective of developing and selling enterprise software solutions. Specifically, this effort is focused on tactics that contribute to the development of the evolving market for enterprise information portals and the establishment of the Company's brand in that space. Organizational changes unifying the Company's marketing department during fiscal 2000 empower the unit to fulfill these objectives.

Going forward, marketing efforts will increasingly be focussed on raising awareness of the Company among "Chief Executive" level executives through such measures as advertising in business and technology media, hosting executive seminars and participating in key technology trade shows. Additional attention will also be paid to establishing Hummingbird as a thought leader in the software solutions arena by generating white papers and contributing editorial content to leading business technology publications. Generally speaking, marketing will leverage product enhancements, media attention, customer references and case stories, to create a virtuous circle that results in increasing market share for the Company.

Competition

The market for the Company's products is intensely competitive and significantly affected by new product introductions and other market activities of industry participants. The Company competes directly with different vendors in each of its major product lines. However, the lines between certain product categories are becoming increasingly blurred as vendors expand the scope and breadth of their product offerings in an attempt to provide customers with end-to-end solutions. While most of the Company's competitors compete in niche segments of the enterprise software market, Hummingbird's approach is to offer customers an integrated portal solution that encompasses many of these segments. Management believes that few, if any, of its competitors are currently able to offer solutions of equivalent breadth as those provided by the Company.

The principal competitive factors affecting the Company's success include: the ease of use, functionality, speed, architecture, price and overall quality of its products; the scope, size and effectiveness of its sales force; the impact, timeliness, consistency and appropriateness of its marketing programs; the expertise, breadth and scope of its partners; and, the quality of customer support. Some of the Company's competitors have greater financial, technical, sales and marketing and other resources than the Company. As the market for the Company's solutions expands, and as many of its products are based on open, non-proprietary standards, the Company believes that additional competitors may enter its markets.

The Company's principal competitors in each of its product families are listed in the table below:

Enterprise Information Portal Solutions				**Host Access and Network Connectivity**
Portal	Document Management	Business Intelligence	Data Integration	
Autonomy Plumtree Sequoia Top Tier Verity Viador	Documentum FileNet Imanage Lotus Development OpenText	Brio Technology Business Objects Cognos Microstrategy Oracle Corp	Informatica Informix (Ardent)	Attachmate Walker Richer Quinn

Risks and Uncertainties that could affect future results

Past performance is not a guarantee for future performance. From time to time, certain information provided by the Company or its employees may involve risks and uncertainties, specifically any statements relating to the Company's expectations for the future sales of its products. Factors that may cause such differences include, but are not limited to, the factors discussed below. These factors, and others, are discussed from time to time in the Company's filings with various regulatory authorities. Although management remains optimistic about the Company's long term prospects, the Company's future results are subject to substantial risks and uncertainties.

The Company operates in a rapidly changing market environment with persistent technological change and low barriers to entry. As a result there is an ever increasing number of market participants some of whom have greater resources at their disposal than the Company. Such competitive factors faced by the Company may adversely affect its future business, operating results and financial position.

Sales are subject to some conditions outside the Company's control such as economic cycles, the growth of complementary businesses such as corporate networks and software applications or events in specific industry verticals. The Company generates approximately half its revenues from its Host Access and Network Connectivity family of products, which is a mature market in which the Company holds an estimated 70% market share. The growth opportunities therefore could be limited in this business. On the other hand the Company is a pioneer in the market for Enterprise Information Portal solutions which is an evolving business. The liquidity and financial position of the company will be a function of the decisions the Company will have to make to successfully compete in these markets.

The Company also considers fluctuations in its quarterly earnings to have an impact on its financial position. The Company's expense levels are based in part on its expectations of future orders and sales, and the Company may not be able to adjust spending in a timely manner to compensate for any sales shortfall.

The Company operates in an international environment with approximately 40% of its revenue derived from countries outside North America. Although the Company makes every effort to protect its intellectual property rights, there can be no guarantee that unlicensed copying of the Company's software will not take place especially, in countries where software piracy laws and enforcement are weak.

The Company continues prospecting for acquisitions and completed transactions could give rise to operational disruptions, unexpected costs and accounting charges associated with the integration of such acquisitions. Further, employees are a significant asset of the Company. Market forces and competitive pressures may adversely impact the ability of the Company to recruit and retain key qualified personnel.

Management's Responsibility for Financial Reporting

The accompanying financial statements and all the information contained in this annual report are the responsibility of management and have been approved by the Board of Directors. Financial and operating data elsewhere in the annual report are consistent with the information contained in the financial statements.

These financial statements and all other information have been prepared by management in accordance with accounting principles generally accepted in the United States and Canada, respectively. Some amounts included in the financial statements are based on management's best estimates and have been derived with careful judgement.

In fulfilling its responsibilities, management has developed and maintains a system of internal controls. These controls ensure that transactions are authorized, assets are safeguarded from loss or unauthorized use, and financial records are reliable for the purpose of preparing financial statements. The Board of Directors carries out its responsibility for the financial statements through the Audit Committee, which consists of a majority of non-managing directors. The Audit Committee periodically reviews and discusses financial reporting matters with the Company's auditors, Deloitte & Touche LLP, as well as with management.

The financial statements have been audited by Deloitte & Touche LLP, Chartered Accountants.

Fred Sorkin
Chairman and
Chief Executive Officer

Inder P.S. Duggal
Chief Financial Officer and
Chief Controller

Auditors' Report

TO THE SHAREHOLDERS OF HUMMINGBIRD LTD. (formerly Hummingbird Communications Ltd.):

We have audited the consolidated balance sheets of Hummingbird Ltd. (formerly Hummingbird Communications Ltd.) as at September 30, 2000 and 1999 and the consolidated statements of income, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

On November 9, 2000 we reported separately to the Shareholders of Hummingbird Ltd. (formerly Hummingbird Communications Ltd.) on the consolidated financial statements for the same period prepared in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants

Toronto, Ontario
November 9, 2000

Consolidated Balance Sheets

As at September 30 (thousands of U.S. dollars)	**2000**	1999
ASSETS		
CURRENT		
Cash *(Note 3)*	**$ 79,010**	$ 18,147
Accounts receivable, net of allowances of $4,413 in 2000 and $2,728 in 1999	**78,117**	60,281
Unbilled receivables	**1,266**	2,016
Income taxes recoverable	**8,545**	9,133
Inventory	**726**	694
Prepaid expenses	**6,052**	11,510
Other receivables	**2,830**	30,694
	176,546	132,475
OTHER ASSETS	**1,305**	4,675
FIXED ASSETS *(Note 4)*	**14,556**	18,802
INTANGIBLES *(Note 5)*	**185,286**	210,444
	$ 377,693	$ 366,396
LIABILITIES		
CURRENT		
Accounts payable	**$ 9,489**	$ 6,778
Accrued liabilities	**25,145**	54,804
Current portion of long-term debt *(Note 6)*	**-**	30,279
Current portion of other long-term liabilities *(Note 7)*	**1,399**	2,556
Deferred revenue	**35,430**	29,828
	71,463	124,245
DEFERRED INCOME TAXES *(Note 9)*	**34,014**	24,812
LONG-TERM DEBT *(Note 6)*	**-**	35,761
OTHER LONG-TERM LIABILITIES *(Note 7)*	**692**	2,617
	106,169	187,435
SHAREHOLDERS' EQUITY		
SHARE CAPITAL *(Note 8)*		
Authorized : unlimited		
Issued and outstanding: 18,330,346 in 2000 and 15,371,636 in 1999	**169,077**	86,791
ADDITIONAL PAID-IN CAPITAL	**3,510**	3,510
RETAINED EARNINGS	**99,867**	89,590
ACCUMULATED OTHER COMPREHENSIVE LOSS	**(930)**	(930)
	271,524	178,961
	$ 377,693	$ 366,396

Approved by the Board of Directors

Fred Sorkin, *Director*

Andrew J. Malik, *Director*

Consolidated Statements of Income

Years ended September 30 (thousands of U.S. dollars, except share data)	2000	1999
SALES	$ 237,106	$ 165,930
COST OF SALES	21,694	16,759
GROSS PROFIT	215,412	149,171
EXPENSES		
Sales and marketing	93,709	65,779
Research and development	38,510	22,546
General and administration	22,400	16,178
Amortization of intangibles	29,438	13,014
Restructuring *(Note 10)*	-	8,750
Compensation related to stock options	-	141
Write-off of intangibles *(Notes 2 and 5)*	-	15,839
TOTAL EXPENSES	184,057	142,247
INCOME BEFORE THE UNDERNOTED	31,355	6,924
OTHER INCOME, NET	918	4,455
GAIN ON SALE OF INVESTMENT IN SUBSIDIARY *(Note 2)*	-	5,204
INCOME BEFORE INCOME TAXES	32,273	16,583
INCOME TAXES *(Note 9)*		
Current	11,699	20,101
Deferred	10,297	(3,797)
	21,996	16,304
NET INCOME	$ 10,277	$ 279
BASIC EARNINGS PER SHARE	$ 0.59	$ 0.02
DILUTED EARNINGS PER SHARE	$ 0.57	$ 0.02
BASIC WEIGHTED AVERAGE NUMBER OF SHARES (in thousands)	17,379	15,390
DILUTED WEIGHTED AVERAGE NUMBER OF SHARES (in thousands)	18,028	15,413

Consolidated Statements of Shareholders' Equity

Years ended September 30 (thousands of U.S. dollars)

	Common Shares (Notes 8) Shares	Common Shares (Notes 8) Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE AS AT SEPTEMBER 30, 1998	15,507,940	$ 87,293	$ 3,369	$ 91,831	$ (1,259)	$ 181,234
COMPREHENSIVE INCOME						
Foreign currency translation	-	-	-	-	329	329
Net income	-	-	-	279	-	279
TOTAL COMPREHENSIVE INCOME						608
SHARES REPURCHASED	(178,900)	(1,007)	-	(2,520)	-	(3,527)
STOCK OPTIONS EXERCISED DURING FISCAL 1999 UNDER THE ESOP	42,596	505	-	-	-	505
COMPENSATION RELATED TO STOCK OPTIONS	-	-	141	-	-	141
BALANCE AS AT SEPTEMBER 30, 1999	15,371,636	86,791	3,510	89,590	(930)	178,961
COMPREHENSIVE INCOME						
Net income	-	-	-	10,277	-	10,277
SHARE ISSUANCE	2,000,000	59,992	-	-	-	59,992
STOCK OPTIONS EXERCISED DURING FISCAL 2000 UNDER THE ESOP	958,710	22,294	-	-	-	22,294
BALANCE AS AT SEPTEMBER 30, 2000	18,330,346	$ 169,077	$ 3,510	$ 99,867	$ (930)	$ 271,524

Consolidated Statements of Cash Flows

Years ended September 30 (thousands of U.S. dollars)	2000	1999
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Net income	$ 10,277	$ 279
Add (deduct) items not affecting cash		
Amortization of intangibles	29,438	13,014
Write-off of intangibles	-	15,839
Compensation related to stock options	-	141
Gain on sale of investment in subsidiary *(Note 2)*	-	(5,204)
Deferred income taxes	10,297	(3,797)
Depreciation	7,488	5,044
Changes in operating assets and liabilities		
Accounts receivable	(17,843)	(8,957)
Unbilled receivables	750	(929)
Inventory	(32)	475
Income taxes recoverable	853	(5,002)
Prepaid expenses and other assets	6,399	1,579
Other receivables	(1,225)	(1,284)
Accounts payable	2,706	(1,224)
Accrued liabilities	(30,330)	(9,745)
Deferred revenue	5,602	6,878
	24,380	7,107
INVESTING		
Short-term investments matured	-	110,300
Acquisition of businesses *(Note 2)*	(2,301)	(184,885)
Proceeds on sale of subsidiaries *(Note 2)*	30,000	12,314
Additions to fixed assets	(4,190)	(3,714)
Proceeds on sale of fixed assets	1,122	-
	24,631	(65,985)
FINANCING		
Long-term debt, repaid	(66,040)	(12,652)
Long-term debt, issued	-	65,500
Repayment of other long-term liabilities	(3,082)	(618)
Shares repurchased	-	(3,527)
Issuance of shares	80,974	505
	11,852	49,208
INCREASE (DECREASE) IN CASH	60,863	(9,670)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	18,147	27,817
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 79,010	$ 18,147
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	$ 1,504	$ 1,616
Income taxes paid	10,846	22,684
Interest received	2,700	5,892

1. DESCRIPTION OF THE BUSINESS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

a) Description of the business

Hummingbird Ltd. (the "Company") is an enterprise software solutions company that specializes in the development of decision enabling web-based work environments. During the year the Company changed its name from Hummingbird Communications Ltd. to Hummingbird Ltd.

b) Significant accounting policies

i) Generally accepted accounting principles

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

ii) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary companies. Acquisitions accounted for by the purchase method have included results of operations of subsidiaries from the effective dates of their respective acquisition.

Investments in companies which are neither wholly-owned nor over which the Company exercises significant influence are accounted for at cost.

iii) Revenue recognition

The Company recognizes revenue from the sale of product and software licenses when goods are shipped based on purchase orders, provided that no significant vendor obligations remain and collection of the resulting receivable is deemed probable by management. A provision is made for estimated sales returns and other insignificant vendor obligations. Revenue from post contract customer support is recognized ratably over the period that the customer support services are provided, which is generally one year. Revenues from consulting, training and other services are recognized as services are performed. Deferred revenue represents unearned income associated with support agreements, software license revenue where significant vendor obligations remain and any payments received in advance of revenue recognition.

iv) Unbilled receivables

Unbilled receivables represent amounts receivable for software shipped to customers or consulting, training and other services rendered which will become billable in accordance with contractual payment terms.

v) Cash

Cash includes cash equivalents, which are investments having an original term to maturity of less than or equal to 90 days.

vi) Short-term investments

Short-term investments are investments having an original term to maturity of greater than 90 days. Short-term investments are carried at cost, which approximates fair market value, are normally held to maturity, and comprise commercial paper, corporate debt, and money market funds.

vii) Fixed assets

Fixed assets are stated at cost. Depreciation is provided as follows:

Buildings	4% declining balance
Laboratory equipment	5 years straight-line
Furniture and fixtures	5 years straight-line
Leasehold improvements	5 years straight-line

The cost of repairs and maintenance is charged to expense as incurred. Renewals and betterments are capitalized. Upon retirement or sale of an asset, its cost and related accumulated depreciation or amortization are removed from the accounts and any gain or loss is recorded in income or expense. The Company continually reviews fixed assets to determine that the carrying values have not been impaired.

viii) Inventory

Inventory is stated at the lower of cost or net realizable value as determined by the first-in first-out method.

ix) *Intangibles*
Intangibles include goodwill and acquired technology and other items, which are stated at their assigned value. Amortization is provided on the straight-line basis over periods of three to ten years. The carrying value of intangibles is reviewed regularly for recoverability based on the estimated future operating income generated by the related assets. Where future recoverability is not assured, the intangibles are written down to their net recoverable value.

x) *Foreign currency translation*
Monetary assets and liabilities denominated in currencies other than U.S. dollars are translated into U.S. dollars at the rate of exchange prevailing at year end while other balance sheet items are translated at historic rates. Revenue and expense items are translated at the rate of exchange in effect on the transaction dates. Realized as well as unrealized foreign exchange transaction gains and losses are included in income in the year in which they occur.

xi) *Income taxes*
The Company calculates its provision for income taxes in accordance with Statement of Financial Accounting Standard No. 109 "Accounting for Income Taxes" ("SFAS 109"), which requires an asset and liability approach to financial accounting for income taxes.

xii) *Lease inducements*
Lease inducements represent leasehold improvements paid for by the landlord and the value of rent-free periods. Lease inducements are amortized on a straight-line basis over the periods of the leases and the amortization is recorded as a reduction of rent expenses.

xiii) *Use of estimates*
The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

xiv) *Product development costs*
The Company expenses research costs when they are incurred. Software development costs are expensed as incurred unless they meet the criteria for deferral and amortization required by generally accepted accounting principles. Development costs incurred prior to the establishment of technological feasibility are expensed, as they do not meet the criteria. Capitalized costs are amortized on a straight-line basis over the remaining economic life of the related product, not exceeding two years. The Company reassesses the relevant criteria for deferral and amortization at each reporting date. There have been no costs capitalized and amortized for the periods presented.

xv) *Other assets*
This amount is comprised of payments made to third parties for the licensing of technology used directly or indirectly in the development process. The Company amortizes these amounts over periods ranging from one to two years on a straight-line basis.

2. ACQUISITIONS AND DIVESTITURES

Fiscal Year 2000

On February 23, 2000, the Company acquired certain assets of Diamond Head Software, Inc. The acquisition has been accounted for by the purchase method of accounting. The asset purchase agreement includes contingent consideration based on the future revenue or income of certain products up to a maximum of $6,000 which is earned over a period of 3 years from the acquisition date. This contingent consideration will be recorded as incremental goodwill.

Net assets acquired, at assigned value:		
Fixed assets	$	198
Liabilities		(680)
Intangibles		
Workforce		107
Acquired technology		2,676
Cash paid	$	2,301

In addition, included in total costs of $26,622 are transaction costs of $9,885 incurred relating to the acquisitions.

Fiscal Year 1999

On June 23, 1999 the Company acquired 92.64% of the issued and outstanding shares of PC DOCS. The Company acquired the remaining 7.36% of the shares of PC DOCS and settled outstanding employee and officers share options by September 10, 1999. On March 11, 1999, the Company acquired 100% of the issued and outstanding shares of Leonard's Logic SA. PC DOCS and Leonard's Logic SA are involved in the development of software solutions. On March 10, 1999 the Company acquired all rights to Financial Frameworks software technology and all intellectual property related thereto from Context, Inc. The acquisitions have been accounted for by the purchase method of accounting and accordingly the results of operations of the acquired entities have been included in the consolidated financial statements from the respective dates of acquisition.

Net assets acquired, at assigned value:		
Current assets	$	66,839
Other non-current assets		26,768
Liabilities		(114,085)
Intangibles		
Workforce		16,680
Trademarks		21,500
Prepaid royalty		3,700
In-process research and development		14,020
Acquired technology		59,630
Goodwill		116,455
	$	211,507

Consideration given:		
Cash	$	184,885
Transaction and integration costs		26,622
	$	211,507

The following table provides a summary of the integration costs relating to the acquisitions:

		Employee Costs		Redundant Premises		Total
Integration costs on acquisition	$	12,218	$	4,519	$	16,737
Amounts incurred in 1999		(3,012)		(2,122)		(5,134)
Balance as at September 30, 1999		9,206		2,397		11,603
Changes in estimates within the one year allocation period		579		(579)		–
Amounts incurred in 2000		(9,785)		(1,818)		(11,603)
Balance as at September 30, 2000	$	–	$	–	$	–

Unaudited pro forma results for 1999 assuming the acquisitions had taken place at the beginning of the period would be as follows:

Sales	$	225,789
Net loss		(17,942)
Loss per share		(1.17)

Such pro forma results are not necessarily indicative of what the actual consolidated results of operations might have been if the acquisitions had been effective at the beginning of fiscal 1999.

During 1999, $14,020 of in-process research and development was written off.

In conjunction with the acquisition of PC DOCS in 1999, the Company sold CMS/Data Corporation ("CMS/Data"), a wholly-owned subsidiary of PC DOCS, to a third party for gross proceeds of $30,000, subject to a purchase price adjustment.

The transaction was effective on September 30, 1999 and the proceeds, which were included in other receivables at that date, were received in the current year. The Company did not include any results of operations from CMS/Data because the entity was held for sale on the date of acquisition.

Effective August 31, 1999, the Company sold its investment in Datenrevision GmbH, a wholly owned subsidiary to a third party. On the closing of the transaction, the Company received proceeds of $12,314, resulting in a pre-tax gain of $5,204.

3. CASH AND SHORT-TERM INVESTMENTS

The Company had no short-term investments having an original term to maturity of greater than 90 days as of September 30, 2000. Cash of $79,010 includes cash equivalents, being investments having an original term to maturity of less than 90 days.

4. FIXED ASSETS

	2000			1999		
	Cost	**Accumulated Depreciation**	**Net Book Value**	Cost	Accumulated Depreciation	Net Book Value
Land and buildings	**$ 4,867**	**$ 737**	**$ 4,130**	$ 6,104	$ 332	$ 5,772
Laboratory equipment	**24,683**	**18,292**	**6,391**	23,712	13,973	9,739
Furniture and fixtures	**6,475**	**3,899**	**2,576**	4,212	2,148	2,064
Leasehold improvements	**2,770**	**1,311**	**1,459**	1,842	615	1,227
	$ 38,795	**$ 24,239**	**$ 14,556**	$ 35,870	$ 17,068	$ 18,802

5. INTANGIBLES

	2000			1999		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Goodwill	**$ 117,533**	**$ 27,128**	**$ 90,405**	$ 118,292	$ 14,664	$ 103,628
Acquired technology	**74,665**	**13,684**	**60,981**	69,730	3,372	66,358
Other intangibles	**41,987**	**8,087**	**33,900**	41,880	1,422	40,458
	$ 234,185	**$ 48,899**	**$ 185,286**	$ 229,902	$ 19,458	$ 210,444

In accordance with its accounting policy on intangibles, the Company regularly reviews the carrying value of intangibles to determine recoverability. During the current year, no amounts were written off (1999 - $1,819).

6. LONG-TERM DEBT

	2000	1999
Bank loan		
Credit Facility A	**$ –**	$ 52,000
Non-revolving term, to a maximum of US$70,000, secured, due December 17, 2000		
Credit Facility B	–	13,500
Revolving term, to a maximum of US$30,000, secured, due December 17, 2000		
Other loans	–	540
	–	66,040
Less: Long-term debt due within one year	–	30,279
	$ –	$ 35,761

During the current year, the Company repaid its bank loan facilities and other loans, principally from the proceeds of the January, 2000 share issue (Note 8).

During the year ended September 30, 2000, interest on long-term debt was $1,034 (1999 - $1,440).

During 1999, Credit Facility A was used solely to finance the acquisition of PC DOCS in June 1999. There were to be no principal repayments until maturity, except for asset disposition proceeds and proceeds of securities issuances. Credit Facility B had no principal repayments until maturity, except for asset disposition proceeds and proceeds of securities issuances after they have been applied firstly to Credit Facility A.

7. OTHER LONG-TERM LIABILITIES

Other long-term liabilities as of September 30, 2000 include capital lease obligations which are secured by specific computer, furniture and telephone equipment, and bear interest at imputed rates of between 7% and 10% per annum. The minimum lease payments which will extinguish all the remaining obligations in the next fiscal year are $1,259, including $24 interest.

During the year ended September 30, 2000, interest on capital lease obligations was $191 (1999 - $176).

Other long-term liabilities as at September 30, 2000 also include the unamortized balance of lease inducements of $692 and the deferred gain on the sale and subsequent lease-back of assets under capital lease of $164.

8. SHARE CAPITAL

Authorized

Unlimited number of common shares, no par value.

Unlimited number of preferred shares issuable in series and whose attributes shall be fixed by the Board of Directors prior to issue.

Share issuances

On January 6, 2000, the Company issued 2,000,000 common shares for proceeds of $59,992, net of issuance costs and related income tax effect. The income tax benefit is $1,312.

During the year, 958,710 common shares were issued pursuant to the Employee Stock Option Plan for proceeds of $22,155.

Share repurchase program

On August 17, 1998, the Company announced an open market share repurchase program for up to 1,000,000 common shares at the prevailing market price on the Toronto Stock Exchange. This program was in effect until August 18, 1999. During the year ended September 30, 1999, the Company repurchased and cancelled 178,900 shares at an average price of $19.71 per share for a total consideration of $3,527, which has been applied to reduce share capital and retained earnings by $1,007 and $2,520 respectively. There was no share repurchase program in effect in the current year.

On November 9, 2000, the Company announced that it had received approval to commence a normal course issuer bid for up to 1,000,000 of its common shares. The buyback will be conducted at prevailing market prices. The bid will commence on November 14, 2000 and terminate on November 13, 2001.

Employee stock option plan

The Company's current stock option plan, the 1996 Employee Stock Option Plan ("1996 ESOP"), has been in effect since January 1996 and was approved by the Shareholders at the Company's annual and special meeting on March 19, 1996. This plan replaced the 1993 Employee Stock Option Plan, which had been in effect since July 1993. Under the 1996 ESOP, the Company has, pursuant to Shareholders' approval, progressively increased the number of shares available for issue. As of March 2000, 4,586,596 common shares were reserved for issuance under the plan.

The following table is a summary of stock options granted, exercised and cancelled in the last two years:

	Number of Options	Weighted Average Exercise Price
Outstanding as at October 1, 1998	1,866,370	$ 28.00
Granted	1,422,300	16.49
Exercised	(42,596)	11.86
Cancelled	(431,037)	21.82
Outstanding as at September 30, 1999	2,815,037	23.38
Granted	1,880,886	35.52
Exercised	(958,710)	23.25
Cancelled	(971,934)	24.41
Outstanding as at September 30, 2000	2,765,279	$ 31.32

The following stock options have been granted and remain outstanding at September 30, 2000:

Granted	Number of Options	Weighted Average Exercise Price	Expiry Date
1995	169,581	$ 26.04	September 2001
1996	27,388	24.23	September 2002
1997	144,150	27.67	September 2003
1998	332,935	28.01	September 2004
1999	332,175	17.57	September 2005
2000	1,759,050	35.35	September 2006
	2,765,279	$ 31.32	

One third of such options become exercisable on each of the three anniversaries after the respective date of grant. Options are exercisable for six years after their date of grant.

Accounting for stock-based compensation

The Company applies APB Opinion 25 in accounting for its stock option plan. Under the current stock option plan, stock options are granted at the market price the day of grant. Accordingly, no compensation has been recognized in connection with these options.

If the Company had used the method prescribed by Statement of Financial Accounting Standard No. 123 ("SFAS No. 123"), which recognizes the fair values of the stock options granted as compensation cost on a straight line basis over the vesting period, compensation related to stock options would have reduced net income and diluted earnings per share respectively by $12,423 and $0.69 for fiscal 2000 and $7,752 and $0.50 for fiscal 1999. The fair value of the stock options on their date of grant was estimated by utilizing a Black-Scholes option pricing model with weighted average assumptions for fiscal 2000 and 1999, as follows: risk-free interest rate of 5%; expected life of the stock options of 4 years; expected volatility in the range of 36% to 58% and a dividend yield of zero.

9. INCOME TAXES

The Company's income tax expense varies from tax computed using statutory rates due to the following:

	2000	1999
Income before income taxes	$ 32,273	$ 16,583
Combined basic Federal and Provincial income taxes at 44.62%	14,401	7,400
Increase (decrease) resulting from:		
Foreign rate differences	(2,477)	(2,154)
Amortization of intangibles, net of disposition on sale of subsidiary	6,314	4,022
Write-off of intangibles, not deductible for tax purposes	–	7,067
Non-deductible amounts	2,369	438
Other	1,389	(469)
	$ 21,996	$ 16,304

Deferred tax assets and (liabilities) at September 30, 2000 and 1999 are as follows:

	2000	1999
Deferred tax assets:		
Loss carryforwards	$ 1,951	$ 8,409
Temporary differences		
Tax value of fixed assets in excess of net book value	857	–
Restructuring costs not currently deductible for tax purposes	80	6,407
Research and development costs carried forward for tax purposes	15	6,256
Expenses not currently deductible for tax purposes	2,976	2,589
Other	694	531
	4,622	15,783
Share issue costs	1,060	–
	7,633	24,192
Deferred tax liabilities:		
Temporary differences		
Net book value of fixed assets in excess of tax value	–	(221)
Net book value of intangible assets in excess of tax value	(41,489)	(48,603)
Other	(158)	(180)
	(41,647)	(49,004)
Net deferred liabilities	$ (34,014)	$ (24,812)

As of September 30, 2000, the Company has tax losses of approximately $4,892 available to reduce future years' income for tax purposes. These losses expire as follows:

2006	$ 2,715
2008	28
2009	991
2010	1,158
	$ 4,892

10. RESTRUCTURING CHARGES

During the year ended September 30, 1999, management undertook a thorough review of all aspects of the Company and its operations given the Company's recent acquisition activity, particularly that of PC DOCS. In its review, management considered the changing market and industry trends to Internet-based products, synergies to be attained from combining PC DOCS with existing operations, and costs associated with the elimination of organizational and facility duplication. Because such actions were taken subsequent to the acquisition, restructuring charges were recorded under EITF 94-3 rather than EITF 95-3.

This review determined significant planned restructuring, including integration of operations resulting in reductions to overhead, closures of duplicate offices, and required refocusing future efforts on integration of products and operations.

As a result of this review, management made a charge of $8,750 to income in the year ended September 30, 1999 which included closure of offices, reduction in personnel, and charges to the carrying values of assets and expenses relating to those offices and personnel.

The following table provides a summary of restructuring costs:

	Employee Costs	Redundant Premises	Other	Total
Restructuring costs accrued in 1999	$ 3,750	$ 1,000	$ 750	$ 5,500
Amounts incurred in 1999	(692)	–	(450)	(1,142)
Balance as at September 30, 1999	3,058	1,000	300	4,358
Changes in estimates in the year	343	(247)	144	240
Amounts incurred in 2000	(3,401)	(562)	(444)	(4,407)
Balance as at September 30, 2000	$ –	$ 191	$ –	$ 191

In addition, included in total restructuring costs charged in 1999 was $3,250 for asset write-downs. The additional costs incurred of $240 have been included in general and administration expenses. The remaining balance for redundant premises of $191 relates to future lease payments.

11. EARNINGS PER COMMON SHARE

Basic earnings per share have been calculated based on the weighted average number of common shares without the inclusion of dilutive effects. Diluted earnings per share are calculated based on the weighted average number of shares plus dilutive common share equivalents outstanding which, in the Company's case, consist entirely of stock options. The following is a reconciliation of shares used in the calculation:

	2000	1999
Weighted average number of basic shares outstanding	**17,379**	15,390
Incremental shares to be issued if stock options in the money are exercised	**649**	23
Weighted average number of diluted shares outstanding	**18,028**	15,413

The Company has not included options to purchase 932,418 and 1,685,818 shares in the diluted share calculation for 2000 and 1999 because such options are considered to be anti-dilutive for earnings per share purposes.

12. COMMITMENTS AND CONTINGENCIES

The Company has entered into agreements related to operating leases for premises, automobiles and equipment and has made commitments for charitable donations requiring payments as follows:

2001	$ 6,092
2002	3,845
2003	3,146
2004	2,898
2005	1,765
Thereafter	249
	$ 17,995

The Company is subject to various claims and proceedings, which have been instituted against it during the normal course of business. Management believes that the disposition of the matters pending or asserted, for which provision has not been made, is expected not to have a material adverse effect on the financial position of the Company or its results of operations.

13. FINANCIAL INSTRUMENTS

Off-balance sheet risk

The Company's objective with respect to foreign currency exposure management is to neutralize the impact of foreign currency exchange movements. To achieve this objective, the Company may enter into foreign exchange contracts to hedge foreign currency receivables and payables. It is the Company's policy to enter into foreign exchange contracts only with major Canadian chartered banks and major international banks, and therefore the Company does not anticipate non-performance by these counterparts. As at September 30, 2000, the Company has no foreign exchange contracts outstanding.

Concentration of credit risk

Surplus cash is invested according to the Company's investment policy, which states the primary objective as the preservation of capital. Investment credit risk is managed by limitations on the grade of securities, diversification of issuers and limitations on terms to maturity. Cash equivalents at September 30, 2000 were invested in high quality money market instruments purchased through major Canadian Chartered banks. No short-term investments were held at September 30, 2000.

The Company markets and supports its products internationally, both directly and through resellers, and is not dependent on any single customer, group of customers or supplier. Credit risk related to the Company's trade receivables is minimized due to its large customer base, geographical distribution and diversification of operations.

Fair value of financial instruments

The carrying values of the Company's financial instruments, including cash, cash equivalents, short-term investments, accounts receivable, long-term debt, capital lease obligations, other liabilities, accounts payable and accruals approximate fair value due to their short-term nature.

14. SEGMENT INFORMATION

The Company operates and manages its business in one industry segment – the computer software development industry. Within this business segment, the Company derives its revenue from two principal product families: Host Access and Network Connectivity, and Enterprise Information Portal Solutions. Enterprise Information Portal Solutions is comprised of Hummingbird's solutions for document and content management, data integration and business intelligence.

Sales by product line

	2000	1999
Host access and network connectivity	**$ 115,021**	$ 104,889
Enterprise information portal solutions	**122,085**	61,041
	$ 237,106	$ 165,930

Sales and long-lived assets by country of origin

September 30, 2000

	U.S.	Canada	Europe	Asia Pacific	Eliminations	Consolidated
Sales	$ 141,054	$ 23,681	$ 78,794	$ 6,657	$ (13,080)	$ 237,106
Fixed and other assets	$ 2,957	$ 9,911	$ 2,803	$ 190		$ 15,861
Intangibles						185,286
Total long-lived assets						$ 201,147

September 30, 1999

	U.S.	Canada	Europe	Asia Pacific	Eliminations	Consolidated
Sales	$ 41,675	$ 107,222	$ 54,731	$ 2,661	$ (40,359)	$ 165,930
Fixed and other assets	$ 5,538	$ 14,751	$ 2,932	$ 256		$ 23,477
Intangibles						210,444
Total long-lived assets						$ 233,921

It is impracticable to allocate intangibles by country of origin.

Geographical distribution of sales by customer location was approximately as follows:

	2000	1999
U.S.	**$ 130,256**	$ 88,652
Europe	**77,377**	63,749
Canada	**17,907**	5,976
Others	**11,566**	7,553
	$ 237,106	$ 165,930

15. NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities". In June 2000, the FASB issued SFAS No. 138, which amends certain provisions of SFAS 133 to clarify four areas causing difficulties in implementation. The Company will adopt SFAS 133 and the corresponding amendments under SFAS 138 on October 1, 2000. SFAS 133, as amended by SFAS 138, is not expected to have a material impact on the Company's consolidated results of operations, financial position or cash flows.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 101 Revenue Recognition in Financial Statements. Since that time the SEC has issued several amendments to this SAB as well as a "Frequently Asked Questions" document. The Company must apply the provisions of SAB 101 no later than the fourth quarter of fiscal year 2001. SAB 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements of all public registrants. It does not amend the revenue recognition guidance set forth in Statement of Positions 97-2, Software Revenue Recognition. Accordingly, management believes that SAB 101 will not materially impact the Company's financial statements.

In March 2000, the FASB issued Interpretation No. 44, Accounting for Certain Transactions involving Stock Compensation, an interpretation of APB Opinion No. 25, which, among other things, would require variable-award accounting for repriced options from the date the option is repriced until the date of exercise. This interpretation is effective July 1, 2000, but certain conclusions in this Interpretation cover specific events that occur after either December 15, 1998, or January 12, 2000.

16. COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified in order to conform to the presentation adopted in the current year.

Auditors' Report

TO THE SHAREHOLDERS OF HUMMINGBIRD LTD. (formerly Hummingbird Communications Ltd.):

We have audited the consolidated balance sheets of Hummingbird Ltd. (formerly Hummingbird Communications Ltd.) as at September 30, 2000 and 1999 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

On November 9, 2000 we reported separately to the Shareholders of Hummingbird Ltd. (formerly Hummingbird Communications Ltd.) on the consolidated financial statements for the same period prepared in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants

Toronto, Ontario
November 9, 2000

Consolidated Balance Sheets

As at September 30 (thousands of U.S. dollars)	**2000**	1999
ASSETS		
CURRENT		
Cash *(Note 3)*	**$ 79,010**	$ 18,147
Accounts receivable, net of allowances of $4,413 in 2000 and $2,728 in 1999	**78,117**	60,281
Unbilled receivables	**1,266**	2,016
Income taxes recoverable	**8,545**	9,133
Inventory	**726**	694
Prepaid expenses	**6,052**	11,510
Other receivables *(Note 4)*	**2,830**	30,833
	176,546	132,614
OTHER ASSETS	**1,305**	4,675
FIXED ASSETS *(Note 5)*	**14,556**	18,802
INTANGIBLES *(Note 6)*	**176,638**	208,436
DEFERRED INCOME TAXES	**3,746**	19,319
	$ 372,791	$ 383,846
LIABILITIES		
CURRENT		
Accounts payable	**$ 9,489**	$ 6,778
Accrued liabilities	**25,145**	54,804
Current portion of long-term debt *(Note 7)*	**-**	30,279
Current portion of other long-term liabilities *(Note 8)*	**1,399**	2,556
Deferred revenue	**35,430**	29,828
	71,463	124,245
LONG-TERM DEBT *(Note 7)*	**-**	35,761
OTHER LONG-TERM LIABILITIES *(Note 8)*	**692**	2,617
	72,155	162,623
SHAREHOLDERS' EQUITY		
SHARE CAPITAL *(Note 9)*		
Authorized : unlimited		
Issued and outstanding: 18,330,346 in 2000 and 15,371,636 in 1999	**206,408**	124,261
RETAINED EARNINGS	**93,899**	96,633
CUMULATIVE TRANSLATION ADJUSTMENTS	**329**	329
	300,636	221,223
	$ 372,791	$ 383,846

Approved by the Board of Directors

Fred Sorkin, *Director*

Andrew J. Malik, *Director*

Consolidated Statements of Income and Retained Earnings

Years ended September 30 (thousands of U.S. dollars, except share data)	**2000**	1999
SALES	**$ 237,106**	$ 165,930
COST OF SALES	**21,694**	16,759
GROSS PROFIT	**215,412**	149,171
EXPENSES		
Sales and marketing	**93,709**	65,779
Research and development	**38,510**	22,546
General and administration	**22,400**	16,178
Amortization of intangibles	**36,127**	23,351
Restructuring *(Note 11)*	**-**	8,750
Write-off of intangibles *(Note 6)*	**-**	1,819
TOTAL EXPENSES	**190,746**	138,423
INCOME BEFORE THE UNDERNOTED	**24,666**	10,748
OTHER INCOME, NET	**918**	4,455
GAIN ON SALE OF INVESTMENT IN SUBSIDIARY *(Note 2)*	**-**	5,204
INCOME BEFORE INCOME TAXES	**25,584**	20,407
INCOME TAXES *(Note 10)*		
Current	**11,699**	20,101
Deferred	**16,619**	(3,996)
	28,318	16,105
NET INCOME (LOSS)	**(2,734)**	4,302
PREMIUM ON SHARES REPURCHASED	**-**	(2,178)
RETAINED EARNINGS, BEGINNING OF YEAR	**96,633**	94,509
RETAINED EARNINGS, END OF YEAR	**$ 93,899**	$ 96,633
BASIC EARNINGS (LOSS) PER SHARE	**$ (0.16)**	$ 0.28
FULLY DILUTED EARNINGS (LOSS) PER SHARE	**$ (0.16)**	$ 0.28
BASIC WEIGHTED AVERAGE NUMBER OF SHARES (in thousands)	**17,379**	15,390
FULLY DILUTED WEIGHTED AVERAGE NUMBER OF SHARES (in thousands)	**17,379**	15,390

Consolidated Statements of Cash Flows

Years ended September 30 (thousands of U.S. dollars)	**2000**	1999
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Net income (loss)	**$ (2,734)**	$ 4,302
Add items not affecting cash:		
Amortization of intangibles	**36,127**	23,351
Write-off of intangibles	**-**	1,819
Gain on sale of investment in subsidiary *(Note 2)*	**-**	(5,204)
Deferred income taxes	**16,619**	(3,996)
Depreciation	**7,488**	5,044
Changes in operating assets and liabilities		
Accounts receivable	**(17,843)**	(8,957)
Unbilled receivables	**750**	(929)
Inventory	**(32)**	475
Prepaid expenses and other assets	**6,399**	1,579
Other receivables	**(1,086)**	(1,284)
Accounts payable	**2,706**	(1,224)
Accrued liabilities	**(30,330)**	(9,745)
Deferred revenue	**5,602**	6,878
Income taxes recoverable(payable)	**853**	(5,002)
	24,519	7,107
INVESTING		
Short-term investments matured	**-**	110,300
Acquisition of businesses *(Note 2)*	**(2,301)**	(184,885)
Proceeds on sale of subsidiaries *(Note 2)*	**30,000**	12,314
Additions to fixed assets	**(4,190)**	(3,714)
Proceeds on sale of fixed assets	**1,122**	-
	24,631	(65,985)
FINANCING		
Long-term debt, repaid	**(66,040)**	(12,652)
Long-term debt, issued	**-**	65,500
Repayment of other long-term liabilities	**(3,082)**	(618)
Shares repurchased	**-**	(3,527)
Issuance of shares	**80,835**	505
	11,713	49,208
INCREASE (DECREASE) IN CASH	**60,863**	(9,670)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**18,147**	27,817
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 79,010**	$ 18,147
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	**$ 1,504**	$ 1,616
Income taxes paid	**10,846**	22,684
Interest received	**2,700**	5,892

1. DESCRIPTION OF THE BUSINESS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

a) Description of the business

Hummingbird Ltd. (the "Company") is an enterprise software solutions company that specializes in the development of decision enabling web-based work environments. During the year the Company changed its name from Hummingbird Communications Ltd. to Hummingbird Ltd.

b) Significant accounting policies

i) Generally accepted accounting principles

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These principles conform, in all material respects applicable to the Company, with accounting principles generally accepted in the United States of America, except as described in Note 16.

ii) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary companies. The purchase method has been used to account for acquisitions and the results of operations of subsidiaries are included from the effective dates of their respective acquisition.

Investments in companies which are neither wholly-owned nor over which the Company exercises significant influence are accounted for at cost.

iii) Revenue recognition

The Company recognizes revenue from the sale of product and software licenses when goods are shipped based on purchase orders, provided that no significant vendor obligations remain and collection of the resulting receivable is deemed probable by management. A provision is made for estimated sales returns and other insignificant vendor obligations. Revenue from post contract customer support is recognized ratably over the period that the customer support services are provided, which is generally one year. Revenues from consulting, training and other services are recognized as services are performed. Deferred revenue represents unearned income associated with support agreements, software license revenue where significant vendor obligations remain and any payments received in advance of revenue recognition.

iv) Unbilled receivables

Unbilled receivables represent amounts receivable for software shipped to customers or consulting, training and other services rendered which will become billable in accordance with contractual payment terms.

v) Cash

Cash includes cash equivalents, which are investments having an original term to maturity of less than or equal to 90 days.

vi) Short-term investments

Short-term investments are investments having an original term to maturity of greater than 90 days. Short-term investments are carried at cost, which approximates fair market value, are normally held to maturity, and comprise commercial paper, corporate debt, and money market funds.

vii) Fixed assets

Fixed assets are stated at cost. Depreciation is provided as follows:

Buildings	4% declining balance
Laboratory equipment	5 years straight-line
Furniture and fixtures	5 years straight-line
Leasehold improvements	5 years straight-line

The cost of repairs and maintenance is charged to expense as incurred. Renewals and betterments are capitalized. Upon retirement or sale of an asset, its cost and related accumulated depreciation or amortization are removed from the accounts and any gain or loss is recorded in income or expense. The Company continually reviews fixed assets to determine that the carrying values have not been impaired.

viii) *Inventory*
Inventory is stated at the lower of cost or net realizable value as determined by the first-in first-out method.

ix) *Intangibles*
Intangibles include goodwill and acquired technology and other items, which are stated at their assigned value. Amortization is provided on the straight-line basis over periods of three to ten years. The carrying value of intangibles is reviewed regularly for recoverability based on the estimated future operating income generated by the related assets. Where future recoverability is not assured, the intangibles are written down to their net recoverable value.

x) *Foreign currency translation*
Integrated subsidiaries monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the period. Translation exchange gains or losses of integrated subsidiaries are reflected in net earnings.

Self-sustaining operations assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Revenues and expenses, including gains and losses on foreign exchange transactions are translated at average rates for the period. The unrealized translation gains and losses on the Company's net investment in these operations are accumulated in a separate component of shareholders' equity, described in the consolidated balance sheets as cumulative translation adjustment.

xi) *Income taxes*
The Company follows the deferral method of income tax allocation. Deferred income taxes result from claiming deductions for income tax purposes in amounts which differ from those charged in the accounts.

xii) *Lease inducements*
Lease inducements represent leasehold improvements paid for by the landlord and the value of rent-free periods. Lease inducements are amortized on a straight-line basis over the periods of the leases and the amortization is recorded as a reduction of rent expenses.

xiii) *Use of estimates*
The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

xiv) *Product development costs*
The Company expenses research costs when they are incurred. Software development costs are expensed as incurred unless they meet the criteria for deferral and amortization required by generally accepted accounting principles. Development costs incurred prior to the establishment of technological feasibility are expensed, as they do not meet the criteria. Capitalized costs are amortized on a straight-line basis over the remaining economic life of the related product, not exceeding two years. The Company reassesses the relevant criteria for deferral and amortization at each reporting date. There have been no costs capitalized and amortized for the years presented.

xv) *Other assets*
This amount is comprised of payments made to third parties for the licensing of technology used directly or indirectly in the development process. The Company amortizes these amounts over periods ranging from one to two years, on a straight-line basis.

2. ACQUISITIONS AND DIVESTITURES

Fiscal Year 2000

On February 23, 2000, the Company acquired certain assets of Diamond Head Software, Inc. The acquisition has been accounted for by the purchase method of accounting. The asset purchase agreement includes contingent consideration based on the future revenue or income of certain products up to a maximum of $6,000, which is earned over a period of 3 years from the acquisition date. This contingent consideration will be recorded as incremental goodwill.

Net assets acquired, at assigned value:		
Fixed assets	$	198
Liabilities		(680)
Intangibles		
Workforce		107
Acquired technology		2,676
Cash paid	$	2,301

Fiscal Year 1999

On June 23, 1999, the Company acquired 92.64% of the issued and outstanding shares of PC DOCS. The Company acquired the remaining 7.36% of the shares of PC DOCS and settled outstanding employee and officers share options by September 10, 1999. On March 11, 1999, the Company acquired 100% of the issued and outstanding shares of Leonard's Logic SA. PC DOCS and Leonard's Logic SA are involved in the development of software solutions. On March 10, 1999 the Company acquired all rights to Financial Frameworks software technology and all intellectual property related thereto from Context, Inc. The acquisitions have been accounted for by the purchase method of accounting and accordingly the results of operations of the acquired entities have been included in the consolidated financial statements from the respective dates of acquisition.

Net assets acquired, at assigned value:		
Current assets	$	66,839
Other non-current assets		26,768
Liabilities		(66,017)
Intangibles		
Workforce		16,680
Trademarks		21,500
Prepaid royalty		3,700
Acquired technology		83,750
Goodwill		58,287
	$	211,507

Consideration given:		
Cash	$	184,885
Transaction and integration costs		26,622
	$	211,507

The following table provides a summary of the integration costs relating to the acquisitions:

	Employee Costs	Redundant Premises	Total
Integration costs on acquisition	$ 12,218	$ 4,519	$ 16,737
Amounts incurred in 1999	(3,012)	(2,122)	(5,134)
Balance as at September 30, 1999	9,206	2,397	11,603
Changes in estimates in the year	579	(579)	–
Amounts incurred in 2000	(9,785)	(1,818)	(11,603)
Balance as at September 30, 2000	$ –	$ –	$ –

In addition, included in total costs of $26,622 are transaction costs of $9,885 incurred relating to the acquisitions.

In conjunction with the acquisition of PC DOCS in 1999, the Company sold CMS/Data Corporation ("CMS/Data"), a wholly-owned subsidiary of PC DOCS, to a third party for gross proceeds of $30,000, subject to a purchase price adjustment. The transaction was effective on September 30, 1999 and the proceeds, which were included in other receivables at

that date, were received in the current year. The Company did not include any results of operations from CMS/Data because the entity was held for sale on the date of acquisition.

Effective August 31, 1999, the Company sold its investment in Datenrevision GmbH, a wholly owned subsidiary to a third party. On the closing of the transaction, the Company received proceeds of $12,314, resulting in a pre-tax gain of $5,204.

3. CASH AND SHORT-TERM INVESTMENTS

The Company had no short-term investments having an original term to maturity of greater than 90 days as of September 30, 2000. Cash of $79,010 includes cash equivalents, being investments having an original term to maturity of less than 90 days.

4. OTHER RECEIVABLES

Included in other receivables, as at September 30, 1999 were loans to employees to purchase common shares totaling $139. These loans were repaid during the year ended September 30, 2000.

5. FIXED ASSETS

	2000			1999		
	Cost	**Accumulated Depreciation**	**Net Book Value**	Cost	Accumulated Depreciation	Net Book Value
Land and buildings	**$ 4,867**	**$ 737**	**$ 4,130**	$ 6,104	$ 332	$ 5,772
Laboratory equipment	**24,683**	**18,292**	**6,391**	23,712	13,973	9,739
Furniture and fixtures	**6,475**	**3,899**	**2,576**	4,212	2,148	2,064
Leasehold improvements	**2,770**	**1,311**	**1,459**	1,842	615	1,227
	$ 38,795	**$ 24,239**	**$ 14,556**	$ 35,870	$ 17,068	$ 18,802

6. INTANGIBLES

	2000			1999		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Goodwill	**$ 88,224**	**$ 31,152**	**$ 57,072**	$ 88,939	$ 19,461	$ 69,478
Acquired technology	**122,969**	**37,267**	**85,702**	118,034	19,498	98,536
Other intangibles	**41,987**	**8,123**	**33,864**	41,880	1,458	40,422
	$ 253,180	**$ 76,542**	**$ 176,638**	$ 248,853	$ 40,417	$ 208,436

In accordance with its accounting policy on intangibles, the Company regularly reviews the carrying value of intangibles to determine recoverability. During the current year, no amounts were written off (1999 - $1,819).

7. LONG-TERM DEBT

	2000	1999
Bank loan		
Credit Facility A	**$ –**	$ 52,000
Non-revolving term, to a maximum of US$70,000, secured, due December 17, 2000		
Credit Facility B	**–**	13,500
Revolving term, to a maximum of US$30,000, secured, due December 17, 2000		
Other loans	**–**	540
	–	66,040
Less: Long-term debt due within one year	**–**	30,279
	$ –	$ 35,761

During the current year, the Company repaid its bank loan facilities and other loans, principally from the proceeds of the January, 2000 share issue (Note 8).

During the year ended September 30, 2000, interest on long-term debt was $1,034 (1999 - $1,440).

During 1999, Credit Facility A was used solely to finance the acquisition of PC DOCS in June 1999. There were to be no

principal repayments until maturity, except for asset disposition proceeds and proceeds of securities issuances. Credit Facility B had no principal repayments until maturity, except for asset disposition proceeds and proceeds of securities issuances after they have been applied firstly to Credit Facility A.

8. OTHER LONG-TERM LIABILITIES

Other Long-Term Liabilities as of September 30, 2000 include capital lease obligations which are secured by specific computer, furniture and telephone equipment, and bear interest at imputed rates of between 7% and 10% per annum. The minimum lease payments which will extinguish all the remaining obligations in the next fiscal year are $1,259, including $24 interest.

During the year ended September 30, 2000, interest on capital lease obligations was $191 (1999 - $176).

Other Long-Term Liabilities as at September 30, 2000 also include the unamortized balance of lease inducements of $692 and the deferred gain on the sale and subsequent lease-back of assets under capital lease of $164.

9. SHARE CAPITAL

Authorized

Unlimited number of common shares, no par value.

Unlimited number of preferred shares issuable in series and whose attributes shall be fixed by the Board of Directors prior to issue.

Issued and outstanding

	Common Shares	
	Issued	$
Balance as at September 30, 1998	15,507,940	$ 125,105
Shares repurchased	(178,900)	(1,349)
Stock options exercised during fiscal 1999 under the ESOP	42,596	505
Balance as at September 30, 1999	15,371,636	124,261
Issuance January 6, 2000	2,000,000	59,992
Stock options exercised during fiscal 2000 under the ESOP	958,710	22,155
Balance as at September 30, 2000	18,330,346	$ 206,408

Share issuances

On January 6, 2000, the Company issued 2,000,000 common shares for proceeds of $59,992, net of issuance costs and related income tax effect. The income tax benefit is $1,312.

During the year, 958,710 common shares were issued pursuant to the Employee Stock Option Plan for proceeds of $22,155.

Share repurchase program

On August 17, 1998, the Company announced an open market share repurchase program for up to 1,000,000 common shares at the prevailing market price on the Toronto Stock Exchange. This program was in effect until August 18, 1999. During the year ended September 30, 1999, the Company repurchased and cancelled 178,900 shares at an average price of $19.71 per share for a total consideration of $3,527, which has been applied to reduce share capital and retained earnings by $1,349 and $2,178, respectively. There was no share repurchase program in effect in the current year.

On November 9, 2000, the Company announced that it had received approval to commence a normal course issuer bid for up to 1,000,000 of its common shares. The buyback will be conducted at prevailing market prices. The bid will commence on November 14, 2000 and terminate on November 13, 2001.

Employee stock option plan

The Company's current stock option plan, the 1996 Employee Stock Option Plan ("1996 ESOP"), has been in effect since January 1996 and was approved by the Shareholders at the Company's annual and special meeting on March 19, 1996. This plan replaced the 1993 Employee Stock Option Plan, which had been in effect since July 1993. Under the 1996 ESOP, the Company has pursuant to Shareholders' approval, progressively increased the number of shares available for issue. As of March 2000, 4,586,596 common shares were reserved for issuance under the plan.

The following table is a summary of stock options granted, exercised and cancelled in the last two years:

	Number of Options	Weighted Average Exercise Price
Outstanding as at October 1, 1998	1,866,370	$ 28.00
Granted	1,422,300	16.49
Exercised	(42,596)	11.86
Cancelled	(431,037)	21.82
Outstanding as at September 30, 1999	2,815,037	23.38
Granted	1,880,886	35.52
Exercised	(958,710)	23.25
Cancelled	(971,934)	24.41
Outstanding as at September 30, 2000	2,765,279	$ 31.32

The following stock options have been granted and remain outstanding at September 30, 2000:

Granted	Number of Options	Weighted Average Exercise Price	Expiry Date
1995	169,581	$ 26.04	September 2001
1996	27,388	24.23	September 2002
1997	144,150	27.67	September 2003
1998	332,935	28.01	September 2004
1999	332,175	17.57	September 2005
2000	1,759,050	35.35	September 2006
	2,765,279	$ 31.32	

One third of such options become exercisable on each of the three anniversaries after the respective date of grant. Options are exercisable for six years after their date of grant.

10. INCOME TAXES

The Company's income tax expense varies from tax computed using statutory rates due to the following:

	2000	1999
Income before income taxes	**$ 25,584**	$ 20,407
Combined basic Federal and Provincial income taxes at 44.62%	**11,416**	9,105
Increase (decrease) resulting from:		
Foreign rate differences	**(2,477)**	(2,154)
Amortization of intangibles, net of disposition on sale of subsidiary	**16,120**	8,892
Write-off of intangibles, not deductible for tax purposes	**–**	812
Non-deductible amounts	**2,369**	458
Other	**890**	(1,008)
	$ 28,318	$ 16,105

As of September 30, 2000, the Company has tax losses of approximately $4,892 available to reduce future years' income for tax purposes. These losses expire as follows:

2006	$ 2,715
2008	28
2009	991
2010	1,158
	$ 4,892

11. RESTRUCTURING CHARGES

During the year ended September 30, 1999, management undertook a thorough review of all aspects of the Company and its operations given the Company's recent acquisition activity particularly that of PC DOCS. In its review, management considered the changing market and industry trends to Internet-based products, synergies to be attained from combining PC DOCS with existing operations, and costs associated with the elimination of organizational and facility duplication.

This review determined significant planned restructuring including integration of operations resulting in reductions to overhead, closures of duplicate offices, and refocusing future efforts on integration of products and operations.

As a result of this review, management made a charge of $8,750 to income in the year ended September 30, 1999 which included closure of offices, reduction in personnel, and charges to the carrying values of assets and expenses relating to those offices and personnel.

The following table provides a summary of restructuring costs:

	Employee Costs	Redundant Premises	Other	Total
Restructuring costs accrued in 1999	$ 3,750	$ 1,000	$ 750	$ 5,500
Amounts incurred in 1999	(692)	–	(450)	(1,142)
Balance as at September 30, 1999	3,058	1,000	300	4,358
Changes in estimates in the year	343	(247)	144	240
Amounts incurred in 2000	(3,401)	(562)	(444)	(4,407)
Balance as at September 30, 2000	$ –	$ 191	$ –	$ 191

In addition, included in total restructuring costs charged in 1999 was $3,250 for asset write-downs. The additional costs incurred of $240 have been included in general and administration expenses. The remaining balance for redundant premises of $191 relates to future lease payments.

12. EARNINGS PER COMMON SHARE

Basic earnings per share have been calculated based on the weighted average number of common shares without the inclusion of dilutive effects. Fully diluted earnings per share are calculated based on the weighted average number of common shares plus the potentially dilutive effects of the common share options outstanding at the end of the year.

13. COMMITMENTS AND CONTINGENCIES

The Company has entered into agreements related to operating leases for premises, automobiles and equipment and has made commitments for charitable donations requiring payments as follows:

2001	$ 6,092
2002	3,845
2003	3,146
2004	2,898
2005	1,765
Thereafter	249
	$ 17,995

The Company is subject to various claims and proceedings which have been instituted against it during the normal course of business. Management believes that the disposition of the matters pending or asserted, for which provision has not been made, is expected not to have a material adverse effect on the financial position of the Company or its results of operations.

14. FINANCIAL INSTRUMENTS

Off-balance sheet risk

The Company's objective with respect to foreign currency exposure management is to neutralize the impact of foreign currency exchange movements. To achieve this objective, the Company may enter into foreign exchange contracts to hedge foreign currency receivables and payables. It is the Company's policy to enter into foreign exchange contracts only with major Canadian chartered banks and major international banks, and therefore the Company does not anticipate non-performance by these counterparts. As at September 30, 2000, the Company had no foreign exchange contracts outstanding.

Concentration of credit risk

Surplus cash is invested according to the Company's investment policy, which states the primary objective as the preservation of capital. Investment credit risk is managed by limitations on the grade of securities, diversification of issuers and limitations on terms to maturity. Cash equivalents at September 30, 2000 were invested in high quality money market instruments purchased through major Canadian chartered banks. No short-term investments were held at September 30, 2000.

The Company markets and supports its products internationally, both directly and through resellers, and is not dependent on any single customer, group of customers or supplier. Credit risk related to the Company's trade receivables is minimized due to its large customer base, geographical distribution and diversification of operations.

Fair value of financial instruments

The carrying values of the Company's financial instruments, including cash, cash equivalents, short-term investments, accounts receivable, long-term debt, capital lease obligations, other liabilities, accounts payable and accruals approximate fair value due to their short-term nature.

15. SEGMENT INFORMATION

The Company operates and manages its business in one industry segment – the computer software development industry. Within this business segment, the Company derives its revenue from two principal product families: Host Access and Network Connectivity, and Enterprise Information Portal Solutions. Enterprise Information Portal Solutions is comprised of Hummingbird's solutions for document and content management, data integration and business intelligence.

Sales by product line

	2000	1999
Host access and network connectivity	**$ 115,021**	$ 104,889
Enterprise information portal solutions	**122,085**	61,041
	$ 237,106	$ 165,930

Sales and long-lived assets by country of origin

September 30, 2000

	U.S.	Canada	Europe	Asia Pacific	Eliminations	Consolidated
Sales	$ 141,054	$ 23,681	$ 78,794	$ 6,657	$ (13,080)	$ 237,106
Fixed and other assets	$ 2,957	$ 9,911	$ 2,803	$ 190		$ 15,861
Intangibles						176,638
Total long-lived assets						$ 192,499

September 30, 1999

	U.S.	Canada	Europe	Asia Pacific	Eliminations	Consolidated
Sales	$ 41,675	$ 107,222	$ 54,731	$ 2,661	$ (40,359)	$ 165,930
Fixed and other assets	$ 5,538	$ 14,751	$ 2,932	$ 256		$ 23,477
Intangibles						208,436
Total long-lived assets						$ 231,913

It is impracticable to allocate intangibles by country of origin.

Geographical distribution of sales by customer location was approximately as follows:

	2000	1999
U.S.	**$ 130,256**	$ 88,652
Europe	**77,377**	63,749
Canada	**17,907**	5,976
Others	**11,566**	7,553
	$ 237,106	$ 165,930

16. UNITED STATES ACCOUNTING PRINCIPLES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), which conform in all material respects applicable to the Company with those in the United States ("U.S. GAAP") during the periods presented except with respect to the following:

a) For Canadian GAAP, the acquisition of Andyne was accounted for by the purchase method. Under U.S. GAAP, it was accounted for using the pooling of interests' method. For U.S. GAAP, the Company's consolidated financial statements for all previous periods have been restated to include the financial statements of Andyne. Accordingly, all amounts for prior periods have been restated.

b) Under Canadian GAAP, there is no requirement to record compensation on the issue of stock options to employees, consultants or directors. Under U.S. GAAP, compensation would be accrued at the date of granting of the options calculated as the difference between the market price and exercise price at the date of the grant. This amount accrues over the periods of required service. For the years ended September 30, 2000 and 1999, compensation related to stock options would be increased by and net income would be decreased by nil and $141, respectively. Additional paid in capital, a component of shareholders' equity, would be increased by $3,510 at September 30, 2000.

c) In accordance with Canadian GAAP, it is the Company's policy to capitalize and amortize acquired research and development. Under U.S. GAAP, acquired in-process research and development is expensed net of the benefit of tax loss carryforwards. Therefore, for U.S. GAAP purposes, for the years ended September 30, 2000 and 1999, acquired in-process research and development expensed would increase by and net income would decrease by nil and $14,020, respectively.

d) The following table reconciles consolidated net income for the periods reported in the accompanying consolidated statements of income with that which would have been reported had the consolidated financial statements been presented in accordance with U.S. GAAP:

		2000		1999
Net income (loss)	**$**	**(2,734)**	$	4,302
Adjustments:				
Amortization and write-off of intangibles		**6,689**		(3,683)
Compensation related to stock options		**-**		(141)
Income taxes		**6,322**		(199)
Net income in conformity with U.S. GAAP	**$**	**10,277**	$	279
Basic earnings per common share (U.S. GAAP)	**$**	**0.59**	$	0.02
Diluted earnings per common share (U.S. GAAP)	**$**	**0.57**	$	0.02

Basic earnings per common share is determined using the weighted average number of shares outstanding during the years. Diluted earnings per common share reflect the dilutive effects of the common share options outstanding at the end of the periods.

e) Under U.S. GAAP, the amount of share purchase loans is deducted from shareholders' equity. As at September 30, 2000 and 1999 the amount of share purchase loans outstanding was nil and $139, respectively.

f) In accordance with Canadian GAAP, the Company translated all historical figures, previously reported in Canadian dollars to September 30, 1996, to U.S. dollars at the rate in effect on September 30, 1996. Under U.S. GAAP, the translation method requires that all monetary amounts on the balance sheet be translated at the rate in effect on the balance sheet date, all non-monetary items at historic rates and all income statement items at the rate in effect on the date of the respective transaction. This resulted in a reduction of shareholders' equity due to cumulative translation adjustments of $930.

g) The following table indicates the items in the balance sheet that would be affected had the financial statements been prepared in accordance with U.S. GAAP. The amounts would be as follows:

	2000	1999
Other receivables	$ 2,830	$ 30,694
Intangibles	185,286	210,444
Deferred income tax liabilities	34,014	24,812
Share capital	169,077	86,791
Additional paid in capital	3,510	3,510
Accumulated other comprehensive loss (cumulative translation adjustments)	(930)	(930)
Retained earnings	99,867	89,590

17. COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified in order to conform to the presentation adopted in the current year.

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